2003-2004
BUDGET

Budget Plan

Québec

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March 11, 2003

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Québec

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The Budget Plan

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Section 1

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The Québec Economy: Recent Developments and Outlook for 2003 and 2004

This section presents the economic forecasts used to update the financial projections for 2002-2003 and the years thereafter.

Highlights

The Québec economy performed exceptionally well in 2002. While the growth rate in the United States was 2.4% and in Canada, 3.4%, Québec's economy grew by 3.8%. Québec also created 118 200 jobs, its best performance since 1973.

The substantial employment gains coupled with low interest rates encouraged household spending, notably in housing construction, with the number of housing starts at 42 500 units, the highest level since 1991. The Public Investment Acceleration Plan announced in the 2002-2003 Budget also helped sustain economic growth through additional investments of over $1.5 billion in 2002.

Québec's economic performance is all the more remarkable in that it was achieved in a context of moderate global recovery. Indeed, after experiencing the biggest slowdown in 20 years in 2001, the major industrial countries recorded a growth rate of only 1.7% in 2002, despite highly expansionary monetary and fiscal policies.

Looking ahead, Québec should benefit from more favourable world economic conditions by 2004, supported by a stronger economy in the United States. Further gains will be made in the job market, bolstering consumer spending. Québec's economy will also benefit from an acceleration in private-sector nonresidential investment fostered by increased corporate profits and high industrial capacity utilization. Private-sector investment will gradually replace the spending generated by the Public Investment Acceleration Plan, which ends in 2004. The Québec economy will thus remain vigorous and grow by 3.5% in 2003 and 3.2% in 2004.

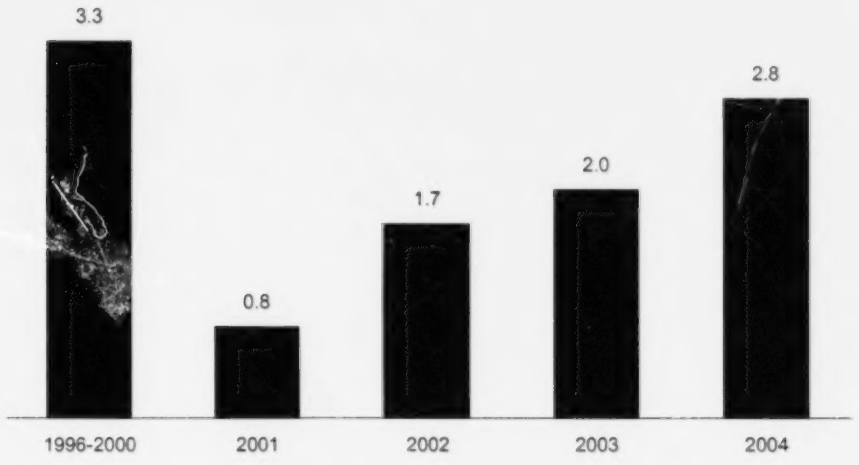
World and North American Economic Outlook

Moderate economic recovery in the major industrial countries

The economic slowdown that started in the United States in 2000 accelerated and then spread to the majority of economies in 2001. The economic growth rate in industrial countries was 0.8% in 2001, a sharp decrease compared with the average growth rate of 3.3% observed between 1996 and 2000. The slowdown, the biggest since 1982, was particularly marked in the United States, Germany, Japan and Switzerland, all of which experienced a recession.

GRAPH 1.1

MODERATE ECONOMIC RECOVERY IN THE MAJOR INDUSTRIAL COUNTRIES
(real GDP, annual percentage change)

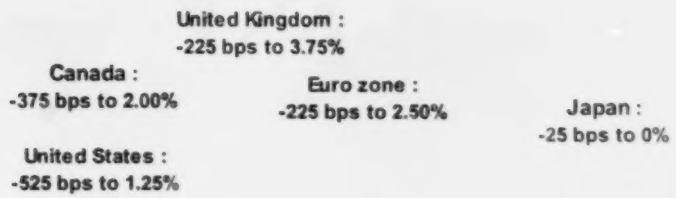


Sources: International Monetary Fund and Consensus Economics.

However, spurred by the United States, economic activity began to recover in the industrial countries in 2002, with real GDP growth reaching 1.7%. Several factors contributed to this growth, including substantial monetary easing by the central banks, with key policy rates being cut to their lowest level in 40 years. Government authorities also helped support economic growth through the introduction of major tax and expenditure measures.

GRAPH 1.2

SUBSTANTIAL MONETARY EASING SINCE JANUARY 2001*
(key policy rates)



* Cuts in key policy rates between January 3, 2001, and March 6, 2003. In Canada, key rates have risen 100 basis points (bps), to 3.00%, since April 2002.

Sources: Datastream and Bank of Canada.

The recovery lost steam in late 2002, however, at the same time as oil prices rose, stock markets plummeted anew and the threat of war in Iraq eroded economic confidence. Monetary easing and the expansionary fiscal policies of some countries, notably the United States, will nevertheless sustain economic activity in the industrial countries: it will increase by 2.0% in 2003 and 2.8% in 2004.

Economic recovery in the European Union held back by Germany

Unlike the industrial countries as a whole, Europe saw its economic situation worsen in 2002, with real GDP growing only 1.0% after increasing 1.5% in 2001.

As well, despite the economic slowdown in 2002, monetary easing was not as vigorous in the European Union as in North America owing to continued inflationary pressure from high energy prices and the impact of increases in the cost of imported goods due the depreciation in European currencies since 2000.

Germany, with an economic growth rate of 0.2% in 2002, is the principal reason for slow growth in the European Union. The high labour costs in its large industrial sector, which is focused on capital goods production, make it hard to compete with the Asian and Eastern European economies. Furthermore, Germany, a member of the euro zone, now has few means at its disposal to stimulate its economy. The EU Stability and Growth Pact limits Germany's fiscal deficit to 3% of GDP, which curbs its spending

power. In addition, the common monetary policy maintains interest rates at too high a level for its current economic situation.

TABLE 1.1

ECONOMIC RECORD AND OUTLOOK IN EUROPE
(real GDP, percentage change)

	2002	2003	2004
European Union	1.0	1.6	2.3
- Germany	0.2	0.8	1.8
- France	1.0	1.5	2.3
- United Kingdom	1.7	2.2	2.5

Source: Consensus Economics.

Following in the footsteps of a number of other major economies, the European Union will enjoy a moderate economic recovery in 2003, with real GDP increasing by 1.6%. Stronger growth will begin in the second half of 2003 and continue into 2004, when it will reach 2.3%. An acceleration in global economic activity, combined with an alleviation of geopolitical uncertainty, will bolster exports and improve the economic climate.

Weak economic growth expected in Japan

After growing 0.4% in 2001, the Japanese economy made no gains in 2002, with real GDP growth just 0.3%. Japan continues to suffer from major problems, including the need to restructure its businesses, which adversely affects employment. Whereas large enterprises, which target the foreign market, are competitive, small enterprises, which are centred around the domestic market and account for half the labour force, are inefficient due to their size, the excessive range of products offered and their cottage industry methods.

Despite short-term interest rates near zero, business investment has continued to decline as a result of the decreased demand for high-tech products. Furthermore, faced with declining real personal income and ongoing deflation, households are holding back on their spending.

Given the slow, inefficient structural reforms implemented and the moderate growth in the global economy, the Japanese economy will grow by only 0.4% in 2003 and 0.8% in 2004.

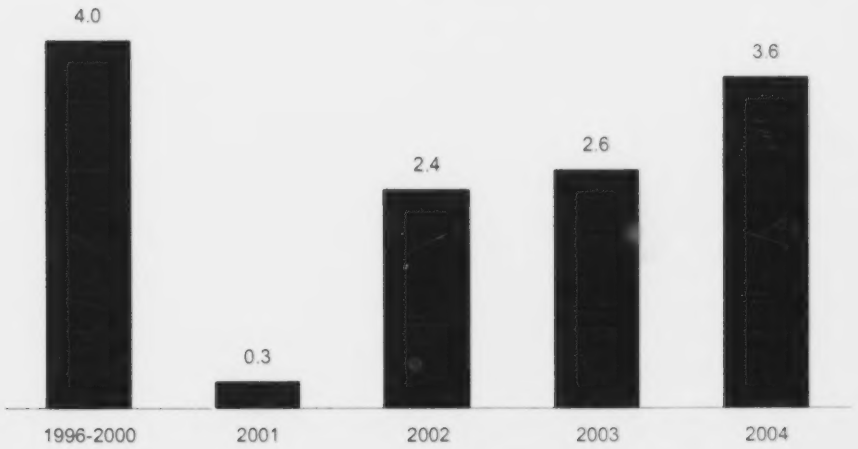
Accelerated economic growth in the United States

After increasing by 0.3% in 2001, real GDP jumped 2.4% in the United States in 2002. The economic upturn largely reflects highly expansionary fiscal and monetary policies. The U.S. Federal Reserve has engaged in substantial monetary easing since the beginning of 2001, cutting the federal funds rate 525 basis points to 1.25%.

The economic recovery plan introduced by the Bush administration in late 2001 enabled an injection of US$240 billion into the economy in 2002, or 2.3% of the GDP. In particular, the plan included major tax cuts.

GRAPH 1.3

ACCELERATION IN U.S. ECONOMIC GROWTH
(real GDP, annual percentage change)



Sources: Global Insight and Consensus Economics.

Economic activity will continue to rebound in 2003, with real GDP increasing by 2.6%. The control of production costs and productivity gains observed in 2002 will enable businesses to improve their balance sheets and gradually begin investing again. Also, the fiscal stimuli already in place will continue to support economic activity, while low interest rates will continue to allow households to borrow at a low cost. Finally, depreciation of the U.S. dollar will render the manufacturing sector more competitive.

Moreover, the new economic stimulus plan put forward by President Bush in January 2003 will have a positive impact on growth starting in 2003. At a cost of $674 billion over 10 years, the plan includes elimination of the double taxation on dividends and tax cuts for households.

In 2004, several factors will enable the U.S. economy to grow at a rate of 3.6%. A rebound in employment and higher salaries will help sustain consumer spending. As well, the improved earning power of businesses will encourage them to invest more. The predicted alleviation of geopolitical risks should bolster economic activity.

These predictions depend on the U.S. economy correcting a number of imbalances affecting its performance, such as major overproduction in the new-technology sector, high debt loads and trade and government deficits.

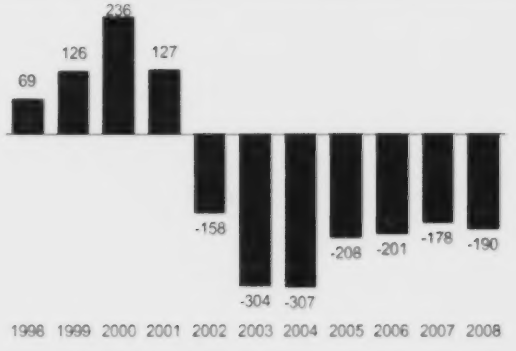
GRAPH 1.4

MAJOR OVERPRODUCTION IN HIGH-TECHNOLOGY SECTOR – UNITED STATES
(utilization rate in percent)

Source: Global Insight.

GRAPH 1.5

2004 BUDGET: RENEWED U.S. DEFICIT
(Unified Budget Basis balance in US$ billions)



Source: Office of Management and Budget.

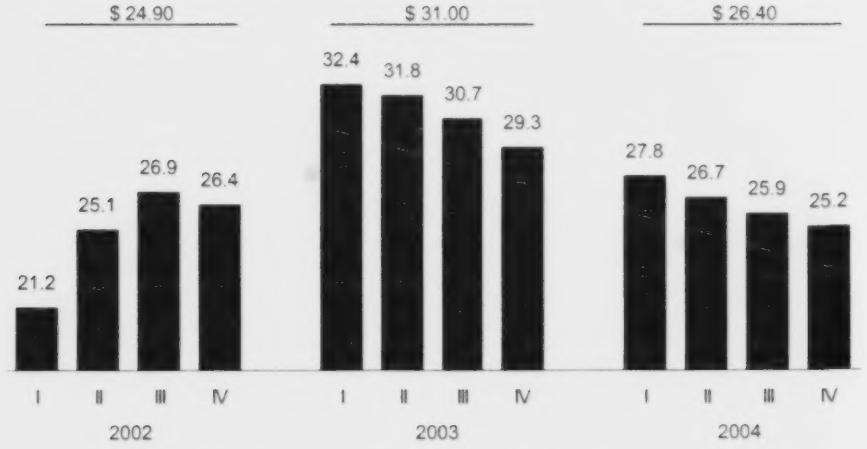
Temporary hike in oil prices

Oil prices skyrocketed in 2002. The prolonged general strike in Venezuela considerably reduced oil production in this country, which is a major producer. In addition, the drop in fuel stocks following cold spells in Europe and North America put upward pressure on prices. At the end of December 2002, the price of oil was over US$30 per barrel and rose again in early 2003 due to the threat of war between the United States and Iraq.

Looking ahead, the gradual alleviation of geopolitical risks should bring oil prices down to OPEC's target price of US$25 per barrel.

GRAPH 1.6

GRADUAL RETURN OF OIL PRICES TO OPEC TARGET PRICE
(US$ / barrel)



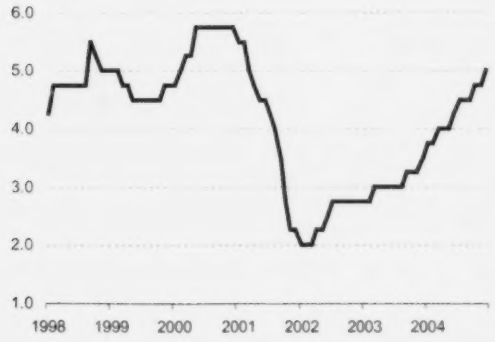
Sources: Energy Information Administration and ministère des Finances, de l'Économie et de la Recherche du Québec.

Monetary conditions to remain favourable in Canada

Canada experienced strong economic growth in 2002, at 3.4%. Looking ahead, in light of the robust domestic demand and export recovery, the Canadian economy will remain strong, growing at a rate of 3.1% in 2003 and 3.3% in 2004. These rates are slightly higher than the economy's potential as estimated by the Bank of Canada. The Bank has already responded to Canada's vibrant economy by raising its overnight rate 100 basis points to 3.00%. Over the forecasting period, the Bank should continue to tighten monetary conditions given its desire to maintain inflation at 2.0%, the mid-point of its target band.

GRAPH 1.7

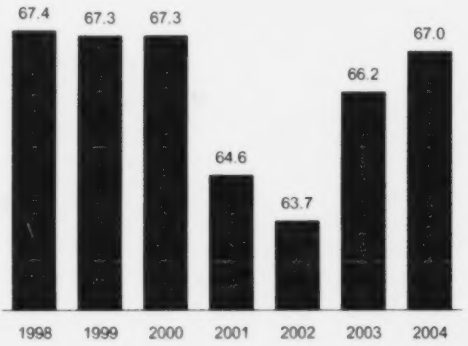
GRADUAL INCREASE IN INTEREST RATES
(overnight rate, in percent)



Sources: Bank of Canada and ministère des Finances, de l'Économie et de la Recherche du Québec.

GRAPH 1.8

GRADUAL INCREASE IN CANADIAN DOLLAR
(US cents)



Sources: Bank of Canada and ministère des Finances, de l'Économie et de la Recherche du Québec.

The Canadian dollar continued to depreciate against the U.S. dollar in 2002, primarily as a result of the safe haven role played by the U.S. dollar in the wake of the Sept. 11 terrorist attacks and the increased volatility in international financial markets.

In 2003 and 2004, a more dynamic economy in Canada than in the United States, higher raw material prices underpinned by the gradual recovery in the global economy and higher short-term interest rates in Canada than in the United States should result in a slight appreciation of the Canadian dollar relative to the U.S. dollar.

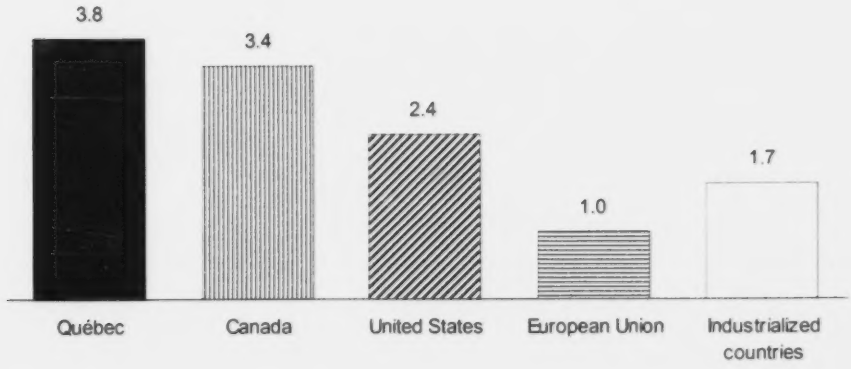
Québec's Economic Record in 2002

Québec's economy top-ranked in 2002

While the economic recovery was moderate in the industrial countries, Québec's economy thrived, setting itself apart from the other economies. Real GDP grew 3.8% in Québec, compared with 3.4% in Canada, 2.4% in the United States and 1.7% in the major industrial countries as a whole.

GRAPH 1.9

OUTSTANDING ECONOMIC PERFORMANCE IN 2002
(real GDP, change in percent)



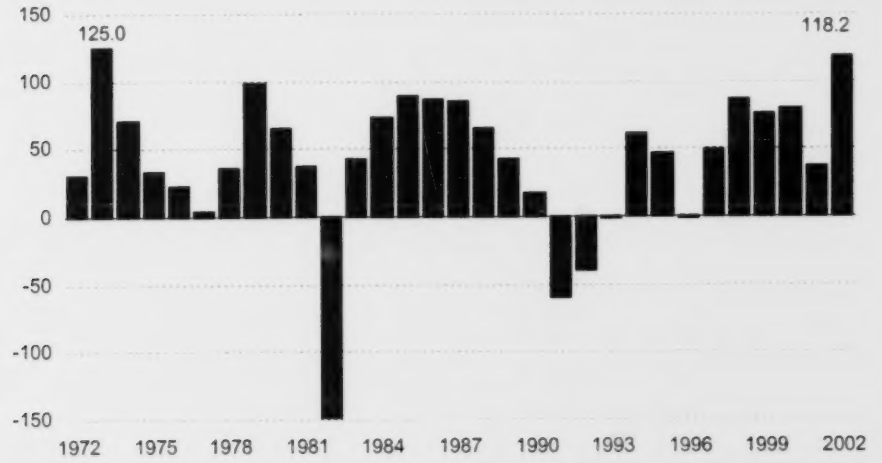
Sources: International Monetary Fund and ministère des Finances, de l'Économie et de la Recherche du Québec.

Outstanding job creation

The Québec economy was particularly vibrant in terms of job creation, with a total of 118 200 new jobs reported in Québec in 2002. This is the best performance since 1973, when 125 000 jobs were created. This is a 3.4% increase over 2001, outperforming all other regions of Canada.

GRAPH 1.10

JOB CREATION
(thousands of jobs)



Source: Statistics Canada.

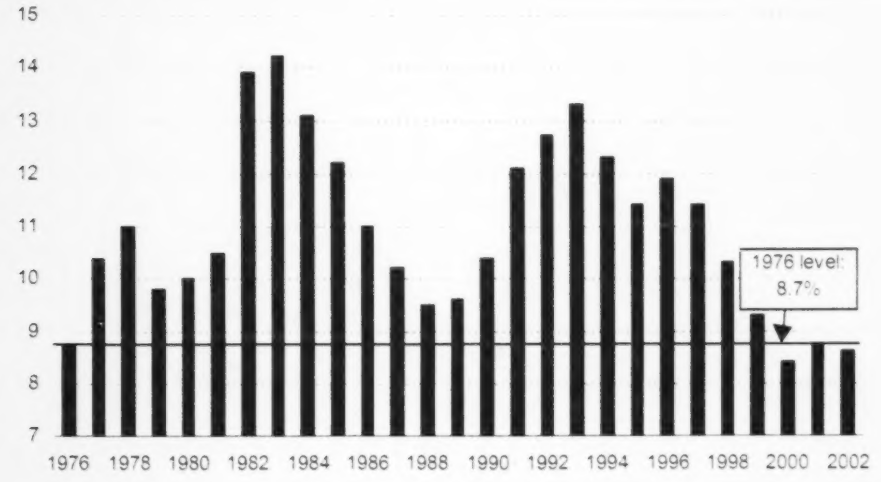
Steady decline in the unemployment rate

Québec's strong performance on the job front translated into a drop in the unemployment rate, which stood at 8.6% on average for the year. With the exception of 2000, this is the best performance since 1976, when the unemployment rate was 8.7%. The unemployment rate has fallen 4.7 percentage points since 1993, when it peaked at 13.3%.

The decline in the unemployment rate in 2002 was nevertheless curtailed by a sharp increase of 1.5 percentage points in the labour force participation rate. Had it not been for this increase, the unemployment rate would have been 6.4%.

GRAPH 1.11

DECLINE IN UNEMPLOYMENT RATE IN 2002
(in percent)



Source: Statistics Canada.

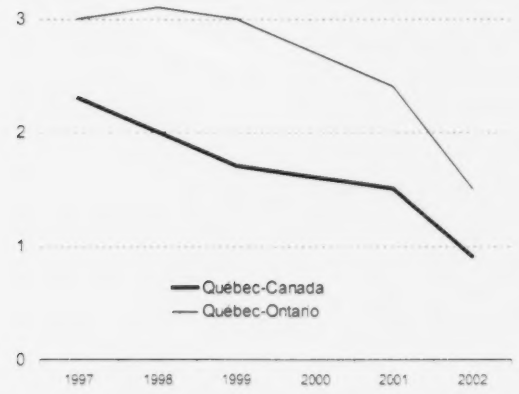
Narrowing of unemployment and employment rate gaps with Canada and Ontario

Its performance in 2002 also enables Québec to continue narrowing the gap between its unemployment rate and that of Canada. The gap was narrowed by over half from 2.3 percentage points in 1997 to 0.9 points in 2002. The unemployment gap with Ontario fell from 3.0 points in 1997 to 1.5 points in 2002.

The employment rate for persons aged 15-64, i.e. the proportion of persons in this age group who are gainfully employed, reached a record level in 2002, at 69.4%, further illustrating the Québec labour market's strong performance. This increase in the employment rate allowed Québec to further reduce its employment rate gap with Ontario from 10.2 percentage points in 1989 to 3.4 points in 2002.

GRAPH 1.12

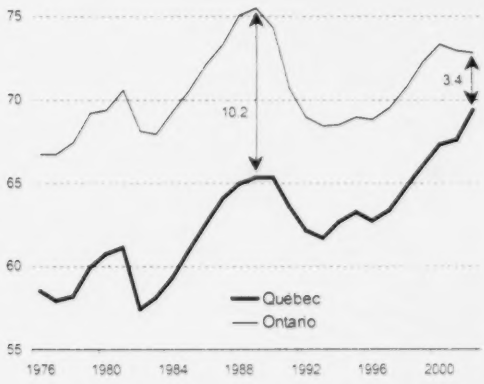
QUÉBEC'S UNEMPLOYMENT RATE GETS CLOSER TO THAT OF CANADA AND ONTARIO
(point difference in unemployment rate)



Source: Statistics Canada.

GRAPH 1.13

NARROWING OF THE QUÉBEC-ONTARIO UNEMPLOYMENT RATE GAP IN THE 15-64 AGE GROUP
(in percent)



Source: Statistics Canada.

Youth obtain a large share of the jobs created

For the fifth year in a row, job creation largely benefited young people aged 15-24. They obtained 25 800 of the 118 200 new jobs created in 2002, the largest job creation for this age group since 1999. Twenty-one percent (21.8%) of all jobs created went to this age group, even though it accounted for only 15.9% of the population in 2002.

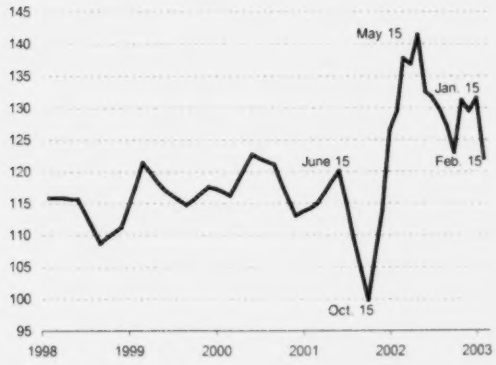
Households support growth

Household confidence remains high

The vigorous employment gains and the government measures introduced in the 2002-2003 Budget helped achieve a record household confidence level in May 2002, with the index gaining 42% from its level in October 2001. Despite a subsequent downturn, household confidence remains relatively high.

GRAPH 1.14

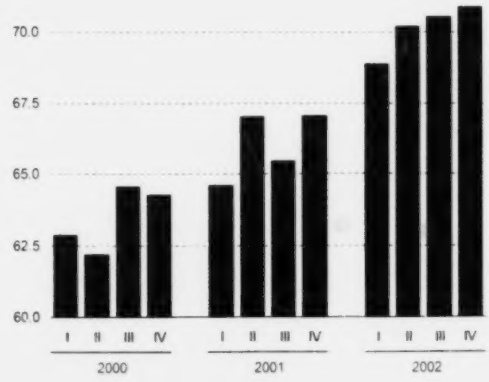
HOUSEHOLD CONFIDENCE INDEX
(index: 1991 = 100)



Source: Conference Board of Canada.

GRAPH 1.15

RETAIL SALES
(in billions of dollars)



Source: Statistics Canada.

Marked increase in retail sales

Strong job creation enabled a 3.8% rise in personal income which, coupled with high household confidence, a dynamic residential sector and low interest rates led to a 6.1% gain in retail sales in 2002. Demand for durable goods rose substantially, particularly furniture and household appliances. Automobile sales surged thanks to attractive financing packages.

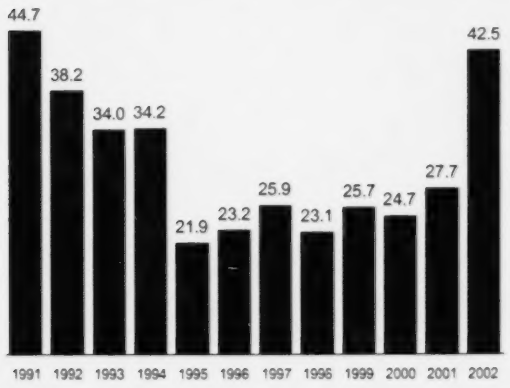
Housing starts reach new high

The housing market, which was the strongest it has been in years, played a significant role in Québec's economic performance. Housing starts reached 42 500 units, 53.4% more than in 2001. This is the highest level since 1991, when 44 700 housing units were built.

The remarkable performance of the residential sector in 2002 flows from the low interest rates, favourable job market and low vacancy rate for rental housing: at 1.2%, this is the lowest vacancy rate since 1976.

GRAPH 1.16

HOUSING STARTS: 2002 AN OUTSTANDING YEAR
(thousands of units)



Source: Canada Mortgage and Housing Corporation.

GRAPH 1.17

VERY LOW RENTAL HOUSING VACANCY RATE
(in percent)

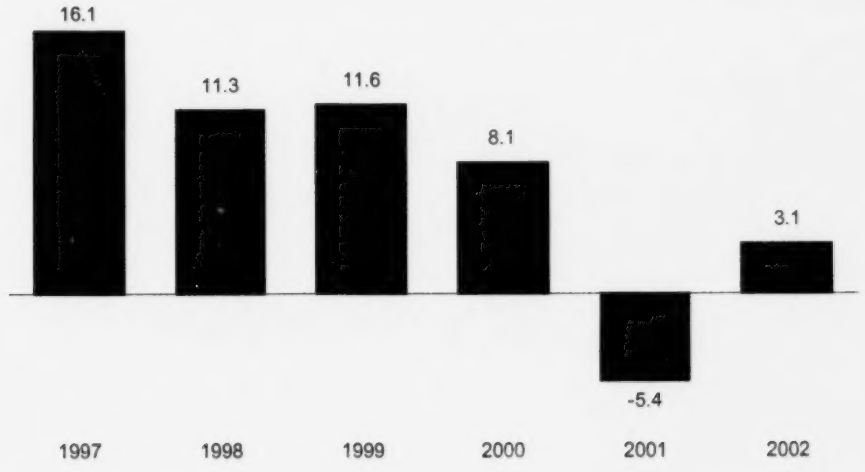
Source: Canada Mortgage and Housing Corporation.

Upturn in business nonresidential investment

In 2002, business nonresidential investment increased by 3.1% in Québec, compared with a 2.4% decrease in Canada. Total nonresidential investment grew even more, reaching 6.7%, thanks to the Public Investment Acceleration Plan. This plan enabled additional public spending of over $1.5 billion in 2002.

GRAPH 1.18

BUSINESS NONRESIDENTIAL INVESTMENT
(percentage change)



Sources: Institut de la statistique du Québec and ministère des Finances, de l'Économie et de la Recherche du Québec.

Minor contribution from the external sector

Unlike other sectors, exports remained sluggish in 2002. International exports of goods were down 1.4% owing to weak economic activity in the United States.

A number of factors contributed to the sagging export sector; in particular, the decline in aerospace exports due to the turmoil in the airline industry, the closing of the GM plant in Boisbriand and declines in the telecommunications and office equipment sectors. As well, forest exports have been affected by the Canada-U.S. softwood lumber dispute. On the other hand, primary metals and minerals exports continued to climb despite the problems in the U.S. manufacturing sector.

Economic Outlook for Québec in 2003 and 2004

Québec economy remains robust despite minor slowdown

In 2003, real GDP will grow by 3.5%. The robust employment observed in 2002 will continue, enabling a substantial increase in personal income and consumer spending. As well, nonresidential investment will accelerate thanks to higher corporate profits, high production capacity utilization and implementation of some major investment projects. A moderate rebound in exports as a result of a stronger U.S. economy will also help drive Québec's economy. The gradual hike in interest rates, however, will hold back growth in domestic demand.

In 2004, real GDP will increase by 3.2%. Additional interest rate hikes will continue slowing housing starts and consumption. Termination of the Public Investment Acceleration Plan will also curb economic growth. However, private-sector investment will take over, notably through the Alcoa (Baie-Comeau) and Alouette projects, which will enter their most intensive phase of development. Lastly, the export sector will play a larger role in economic growth due to stronger growth in the U.S. economy.

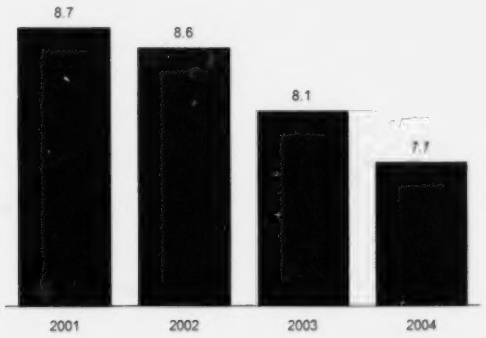
Strong performance of the job market

Québec's strong economic performance will enable the creation of 89 000 jobs in 2003 and another 63 000 jobs in 2004. This robust job creation should bring the unemployment rate down to 8.1% in 2003 and 7.7% en 2004.

However, the increased labour force participation rate, which should reach 66.2% in 2004, will continue to curtail the decline in the unemployment rate. In fact, the growth in employment will encourage increased participation in the labour market.

GRAPH 1.19

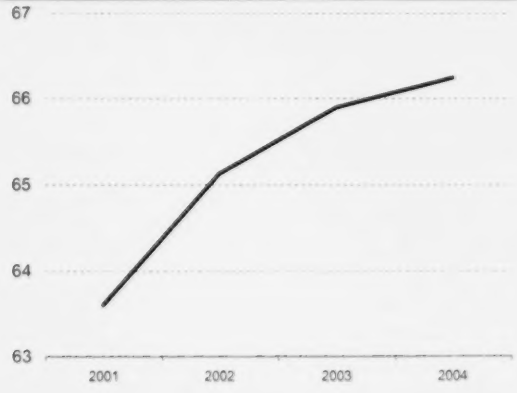
UNEMPLOYMENT RATE
(in percent)



Sources: Statistics Canada and ministère des Finances, de l'Économie et de la Recherche du Québec.

GRAPH 1.20

LABOUR FORCE PARTICIPATION RATE
(in percent)



Sources: Statistics Canada and ministère des Finances, de l'Économie et de la Recherche du Québec.

Residential investment remains high

Housing starts should remain high in 2003 and 2004. Following an exceptionally good year in 2002, at 42 500 units compared with an average of 25 400 units the five previous years, housing starts will drop to 40 200 units in 2003 and 34 700 units in 2004.

Despite an increase in mortgage rates, economic conditions remain favourable for the construction industry. Job growth remains vigorous, which will continue to encourage the establishment of new households. Moreover, the low vacancy rate and the limited housing availability on the resale market are conducive to the construction of new housing.

Furthermore, the government will continue to support residential activity through the measures announced in this Budget as well as the previous Budget. The plan adopted under the 2002-2003 Budget provided for the construction of 13 000 new low-rental and affordable housing units. This Budget announces additional 5 000 new housing units and further

spending to stimulate renovation under the Rénovation-Québec and RénoVillage programs.

Consumer spending remains robust despite anticipated economic slowdown

The good labour market performance and a recovery in investment income following a difficult year in 2002 will have positive impacts on Quebecers' personal income. In addition to continually favourable monetary conditions and relatively high consumer confidence, the growth in personal income should lead to a sharp increase in consumer spending, to 5.3% in 2003 and 4.1% in 2004.

Acceleration in business nonresidential investment

Québec's strong economic performance should allow businesses to improve their financial performance and see their profits climb by 11.5% in 2003 and 9.1% in 2004. The expected increase in profits, as well as the upward trend in industrial capacity utilization observed in recent quarters, will result in 4.6% growth in business nonresidential investment in 2003 and 6.7% growth in 2004.

A number of major investment projects that will further stimulate the economy of Québec's regions have already been announced; in particular, the investments in the Alouette aluminum smelter in Sept-Îles and the Alcoa aluminum smelter in Baie-Comeau. These projects should begin in 2003 and expand in 2004. Hydroelectric development projects, such as the Toulnustouc and Eastmain-1 dams, and investments in the Gaspésia and Kruger-Wayagamack paper mills will also help drive investment growth in 2003 and 2004. However, public-sector nonresidential investment will ease in 2004, when the Public Investment Acceleration Plan ends.

Rebound in the export sector

In 2003, the export sector should play a more significant role in Québec's economic growth, owing to a more vigorous rebound in nonresidential investment in the United States. International exports should grow by 2.3%. This export recovery will accelerate to 6.2% in 2004, based on an even more dynamic U.S. economy, especially as regards investment, and an upturn in exports of transportation equipment and information technologies.

TABLE 1.2

ECONOMIC OUTLOOK
(percentage change)

	2002	2003	2004
OUTPUT			
— Real gross domestic product	3.8	3.5	3.2
— Gross domestic product	4.6	5.5	4.6
COMPONENTS OF EXPENDITURE			
— Consumption	4.4	5.3	4.1
— Housing starts ('000)	42.5	40.2	34.7
— Business nonresidential investment	3.1	4.6	6.7
— International exports of goods[1]	-1.4	2.3	6.2
COMPONENTS OF INCOME AND PRICES			
— Wages and salaries	5.2	4.8	4.3
— Personal income	3.8	4.6	3.9
— Corporate profits	3.8	11.5	9.1
— Consumer prices	2.0	2.7	1.5
LABOUR MARKET			
— Labour force	3.2	1.9	1.3
— Employment	3.4	2.5	1.7
— In thousands	118	89	63
— Unemployment rate[2]	8.6	8.1	7.7
FINANCIAL MARKETS – CANADA			
— 3-month Treasury bills[2]	2.6	3.0	4.4
— 10-year Canadian bonds[2]	5.3	5.2	5.8
— Exchange rate (CAN$ in US¢)	63.7	66.2	67.0

1 Constant 1997 dollars.
2 Level in percent.

Comparison with private-sector forecasts

The economic outlook used to update the financial framework differs little from that used in the private sector.

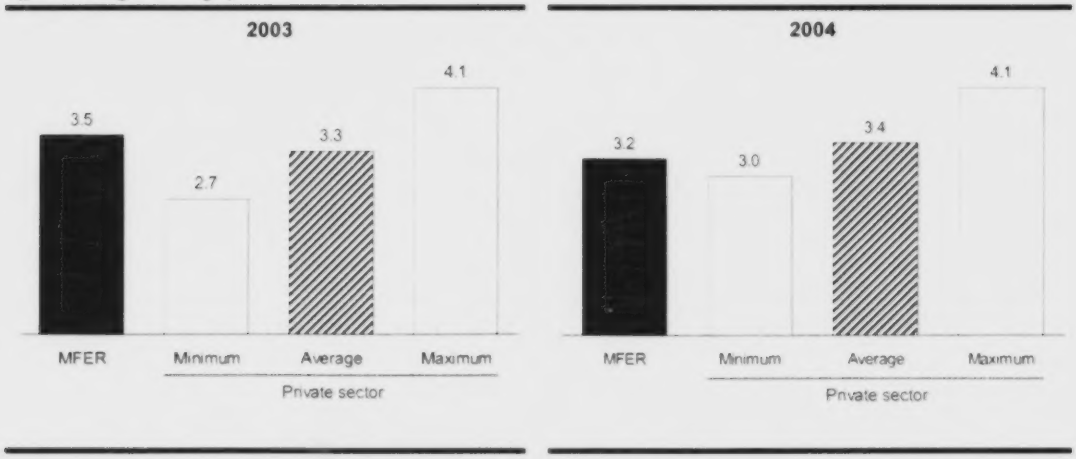
On average, private-sector forecasters anticipate 3.3% growth in the Québec economy in 2003, which is slightly lower than the rate used to prepare this Budget. However, private-sector forecasters are divided; while some anticipate as much as 4.1% growth, others predict more subdued growth, at 2.7%. The difference reflects the uncertainty with respect to the short-term economic outlook.

The anticipated 3.2% growth in 2004, the assumption used to prepare this Budget, is slightly below the average private-sector forecasts of 3.4% growth.

GRAPH 1.21

ECONOMIC GROWTH IN QUÉBEC – COMPARISON WITH PRIVATE-SECTOR FORECASTS

(percentage change)



Source: Ministère des Finances, de l'Économie et de la Recherche du Québec survey.

Section 2

The Government's Financial Position in 2002-2003 and Public Sector Borrowings

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The government's financial transactions[1]

The zero deficit forecast announced for the 2002-2003 fiscal year in the Supplementary Statement of March 19, 2002 is maintained.

Consolidated budgetary revenue for fiscal 2002-2003 is revised to $52 820 million, $913 million more than anticipated in the March 2002 Supplementary Statement. This increase in revenue can be explained by the upward adjustment of $647 million in own-source revenue and of $266 million in federal transfers.

Consolidated budgetary expenditure amounts to $52 820 million in 2002-2003, $913 million more than forecast in the Supplementary Statement of March 2002. This growth in expenditure stems from an $827-million increase in operating expenditures and an $86-million rise in debt service.

Consolidated net financial requirements are revised to $1 927 million, an increase of $1 055 million compared with the figure announced in the March 2002 Supplementary Statement. The net financial requirements of consolidated organizations thus amount to $1 627 million and those of the Consolidated Revenue Fund to $300 million.

With respect to financing transactions, the change in direct debt is adjusted upward by $4 035 million compared with the forecast in the Supplementary Statement of March 19, 2002. This increase can be attributed to pre-financing carried out in 2002-2003.

1 The data in this section have been adjusted, for purposes of comparison, on the basis of the 2003-2004 budgetary and financial structure.

TABLE 2.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1]
(in millions of dollars)

	2001-2002	2002-2003		
	Actual results	Supplementary Statement 2002-03-19	Preliminary results [2]	Change compared with Statement
Budgetary transactions				
Own-source revenue	41 004	43 065	43 712	647
Federal transfers	9 305	8 842	9 108	266
Total revenue	50 309	51 907	52 820	913
Operating expenditure	- 43 976	- 44 713	- 45 540	- 827
Debt service	- 7 261	- 7 194	- 7 280	- 86
Total expenditure	- 51 237	- 51 907	- 52 820	- 913
Budgetary reserve				
Use of funds allocated to reserve to finance spending and maintain a balanced budget	950	—	—	—
Budgetary surplus	**22**	**0**	**0**	**0**
Non-budgetary transactions				
Investments, loans and advances	- 1 142	- 1 661	- 1 966	- 305
Capital expenditures	- 995	- 1 674	- 1 642	32
Retirement plans	2 089	1 975	1 987	12
Other accounts	- 589	488	- 306	- 794
Non-budgetary requirements	**- 637**	**- 872**	**- 1 927**	**- 1 055**
Net financial requirements	**- 615**	**- 872**	**- 1 927**	**- 1 055**
Financing transactions				
Change in cash position	132	2 044	- 2 043	- 4 087
Change in direct debt[3]	3 623	1 593	5 628	4 035
Retirement plans sinking fund[4]	- 3 140	- 2 765	- 1 658	1 107
Total financing of transactions	**615**	**872**	**1 927**	**1 055**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 The data have been adjusted, for purposes of comparison, on the basis of the 2003-2004 budgetary and financial structure. The adjustments required with regard to the data presented in the Supplementary Statement of March 19, 2002 stem from the implementation of the family policy regarding subsidized day care spaces in day care centres, which increases both revenue and expenditure by $9 million.

2 The preliminary results for 2002-2003 are based on actual data recorded from April 2002 to January 2003 and on an estimate, as at February 28, 2003, of the February and March results for which transactions will be posted to 2002-2003 transactions up to the closing of the books.

3 The change in direct debt includes new borrowings less repayment of borrowings.

4 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and subtracted from the interest expenditure recorded with regard to the retirement plans liability.

Budgetary revenue

In regard to budgetary revenue, the Supplement to the 2002-2003 Budget anticipated $43 065 million in own-source revenue and $8 842 million in federal transfers. The forecast for own-source revenue is adjusted upward by $647 million, while that for federal transfers is raised by $266 million.

Own-source revenue

As for own-source revenue, the supplementary revenue expected from consumption taxes and government enterprises is partly offset by lower revenue from other sources, particularly corporate taxes.

TABLE 2.2

SUMMARY OF THE CHANGE IN OWN-SOURCE REVENUE
(in millions of dollars)

	2001-2002				2002-2003
	Actual results	Supplementary Statement 2002-03-19	Preliminary results	Change compared with Statement	Change compared with 2001-2002
					%
Personal income tax	15 923	16 342	16 207	– 135	1.8
Health Services Fund	4 291	4 594	4 496	– 98	4.8
Corporate taxes	4 029	4 350	3 681	– 669	– 8.6
Consumption taxes	9 745	10 290	11 100	810 [1]	13.9
Other sources	2 345	2 389	2 339	– 50	– 0.3
Government enterprises	2 731	3 215	3 817	602	39.8
Consolidated organizations	1 940	1 885	2 072	187	6.8
Total own-source revenue	**41 004**	**43 065**	**43 712**	**647**	**6.6**

1 Including $185 million for the increase in the tax on tobacco products announced last June 17.

The preliminary results for personal income tax indicate that revenue is down by $135 million compared with the figure announced in the Supplement to the 2002-2003 Budget. Compilation of 2001 income tax returns since the beginning of the year shows higher-than-anticipated refunds, owing mainly to the decline of over 40% in reported capital gains. This marked drop in capital gains has also led to a decrease in the tax instalments of taxpayers who sustained such losses, and the shortfall has been only partly offset by the supplementary tax receipts generated by the higher-than-expected employment level. Indeed, the increase in revenue stemming from job creation since the beginning of the year is limited, given that a larger proportion of new jobs are part-time (less than 25 hours per week) compared with those created in previous years. Furthermore, many of the new jobs have been created in small and medium-sized enterprises and the trade sector, where remuneration is lower on average. As for the $98-million decline in contributions to the Health Services Fund, it can be explained for the most part by adjustments to revenue for previous years.

Corporate tax revenue is revised downward by $669 million, primarily because of several factors relating to the 2001 taxation year. On account of a downturn in profits in 2001, particularly in the information technology sector, businesses claimed large refunds in 2002-2003 for instalment overpayments in fiscal 2001-2002. Moreover, in accordance with the provisions of the corporate tax system, losses sustained in a given year can be applied against income tax paid over the three previous years or the seven subsequent years. Use of these provisions by businesses that incurred losses led to additional refunds in 2002-2003. Businesses also reduced their tax instalments for 2002, since the latter were based henceforth on their lower 2001 profits.

Additional revenue of $810 million from consumption taxes stems mainly from a $609-million adjustment of the sales tax resulting from the vitality of consumer spending. In addition, revenue from the tobacco tax rose by $191 million, primarily because of the increase in the specific tax rate announced last June 17.

The $50-million decrease in other sources can be attributed especially to lower revenue from natural resources. Such revenue is adjusted downward by $38 million, chiefly with regard to stumpage fees, owing to the impact of the countervailing duties imposed on softwood lumber exports to the United States. In addition, the unusually high number of forest fires in summer 2002 generated supplementary expenditures, thereby reducing net fees. The other adjustments are due to, among other things, interest income and sales of goods and services.

The forecast for revenue from government enterprises is revised to $3 817 million, an increase of $602 million.

This adjustment can be attributed notably to Hydro-Québec's profits, which were revised upward by $470 million, mostly because of an increase in electricity sales and favourable interest rates.

The adjustment can also be explained by the $680 million in revenue resulting from the passage of the *Act to amend the Act respecting occupational health and safety and other legislative provisions* on December 19, 2002. Through this Act, the government complied with the request of the Commission de la santé et de la sécurité du travail (CSST) for greater autonomy in managing its resources. The activities of the CSST were thus transferred to a trust, the Fonds de la santé et de la sécurité du travail. Since trusts are excluded from the reporting entity, the government had to remove its investment in the CSST from its books.

These increases were offset, however, by downward adjustments of revenue from other enterprises, particularly the Société générale de financement du Québec, resulting from the loss of $255 million related to some of its investments, including Magnola.

Federal transfers

Federal transfers should amount to $9 108 million for fiscal 2002-2003, an increase of $266 million compared with the forecast in the March 2002 Supplementary Statement.

TABLE 2.3

SUMMARY OF THE CHANGE IN FEDERAL TRANSFERS
(in millions of dollars)

	2001-2002	2002-2003			
	Actual results	Supplementary Statement 2002-03-19	Preliminary results	Change compared with Statement	Change compared with 2001-2002
					%
Equalization	5 336	5 339	5 315	– 24	– 0.4
Canada Health and Social Transfer (CHST)	2 958	2 455	2 727	272	– 7.8
Other transfers related to fiscal arrangements	27	15	34	19	25.9
Other programs	564	655	644	– 11	14.2
Consolidated organizations	420	378	388	10	– 7.6
Total federal transfers	**9 305**	**8 842**	**9 108**	**266**	**– 2.1**

Equalization revenue is $24 million lower than forecast in the Supplementary Statement of last March. This revision is due almost entirely to the negative impact on equalization of the solution adopted by the federal government to correct the error made by Canada Customs and Revenue Agency (CCRA).

The upward revision of $272 million with respect to the Canada Health and Social Transfer (CHST) reflects essentially the downward adjustment of the tax transfer used to calculate the distribution of the program's envelope, which increases cash transfers to Québec accordingly.

Correction of the error made by Canada Customs and Revenue Agency

From 1972 to 1999, Canada Customs and Revenue Agency (CCRA) made overpayments of more than $3.4 billion to four provinces in particular (Ontario, Manitoba, British Columbia and Alberta) in regard to personal income tax. On last September 4, the federal government announced, as part of a solution to the error, a change in the equalization formula retroactive to 2001-2002, which increased Québec's relative fiscal capacity and thus reduced its equalization entitlements.

The negative impact of the federal solution to CCRA's error on Québec's equalization entitlements, originally estimated at $479 million in the Quarterly Presentation of Financial Transactions as at June 30, 2002, was reduced to $426 million in federal calculations of February 2003. As a result of pressure from Québec, the federal government decided to accelerate the updating of data used to calculate equalization entitlements with respect to the personal income tax base for 2002. This limited the impact of the correction of CCRA's error to $247 million in 2002-2003.

The portion of this impact applicable to 2001-2002, or $215 million, will be posted to the debt representing accumulated deficits since it stems from the correction of an error relating to the previous year.

TABLE 2.4

IMPACT OF THE FEDERAL SOLUTION TO THE ERROR MADE BY CANADA CUSTOMS AND REVENUE AGENCY
(in millions de dollars)

	2002-2003
Quarterly Presentation of Financial Transactions as at June 30, 2002	**– 479**
Federal calculations of February 2003	**– 426**
Acceleration of the updating of data used by the federal government for 2002	179
Impact of the correction of CCRA's error on Québec's financial framework	**– 247**
Breakdown:	
Increase in the debt representing accumulated deficits stemming from the correction applicable to 2001-2002	– 215
Decrease in equalization revenue stemming from the correction applicable to 2002-2003	– 32

Budgetary expenditure

The forecast for budgetary expenditure is revised to $52 820 million for fiscal 2002-2003, $913 million more than forecast in the Supplementary Statement of March 19, 2002. In all, there is a 3.1% increase in budgetary expenditure compared with 2001-2002.

TABLE 2.5

SUMMARY OF THE CHANGE IN BUDGETARY EXPENDITURE
(in millions of dollars)

	2001-2002				2002-2003
	Actual results	Supplementary Statement 2002-03-19	Preliminary results	Change compared with Statement	Change compared with 2001-2002
					%
Program spending objective	42 512	43 223	43 223	—	1.7
Increase in objective	—	—	881	881	—
Program spending	42 512	43 223	44 104	881	3.7
Consolidated organizations	1 464	1 490	1 436	– 54	– 1.9
Total operating expenditure	**43 976**	**44 713**	**45 540**	**827**	**3.6**
Debt service					
Consolidated Revenue Fund					
Direct debt service	3 970	3 829	3 927	98	– 1.1
Retirement plans	2 717	2 668	2 706	38	– 0.4
	6 687	6 497	6 633	136	– 0.8
Consolidated organizations	574	697	647	– 50	12.7
Total debt service	**7 261**	**7 194**	**7 280**	**86**	**0.3**
Total budgetary expenditure	**51 237**	**51 907**	**52 820**	**913**	**3.1**

Operating expenditure

Operating expenditure is revised to $45 540 million, $827 million more than anticipated in the Supplementary Statement of March 19, 2002.

This Budget announces an $881-million increase in the program spending objective in 2002-2003. This increase results from, among other things, additional expenditures of $285 million in the health and social services sector, including notably $69 million for improving services in the network and $144 million for the prescription drug insurance program. It is also due to an overrun of $140 million at the ministère de l'Emploi et Solidarité sociale engendered by the lower-than-anticipated decrease in the number of households on employment assistance and a $35-million increase at the ministère des Relations avec les citoyens et de l'Immigration mainly for the Duplessis orphans reconciliation program.

Spending by consolidated organizations is revised downward by $54 million compared with the March 2002 Supplementary Statement.

Debt service

Debt service is revised upward by $86 million compared with the forecast in the Supplementary Statement of March 19, 2002. It currently amounts to $7 280 million, of which $3 927 million is for direct debt service, $2 706 million for the interest on the net retirement plans liability and $647 million for the debt service of consolidated organizations.

This adjustment is due notably to the weaker-than-anticipated Canadian dollar, especially in relation to the Swiss franc and the yen, and to the upward revision of net financial requirements.

Non-budgetary transactions

Financial requirements stemming from non-budgetary transactions amount to $1 927 million, $1 055 million more than forecast in the March 2002 Supplementary Statement.

TABLE 2.6

SUMMARY OF NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

			2002-2003
	Supplementary Statement 2002-03-19	**Preliminary results**	**Change**
Consolidated Revenue Fund			
Investments, loans and advances			
Government enterprises	– 1 503	– 1 653	– 150
Municipalities, municipal bodies, individuals, corporations and others	– 230	– 207	23
	– 1 733	– 1 860	– 127
Capital expenditures	– 52	– 53	– 1
Retirement plans	1 975	1 987	12
Other accounts	386	3	– 383
Total Consolidated Revenue Fund	**576**	**77**	**– 499**
Consolidated organizations	**– 1 448**	**– 2 004**	**– 556**
Non-budgetary requirements	**– 872**	**– 1 927**	**– 1 055**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

The preliminary results for investments, loans and advances in government enterprises indicate a $127-million increase in funding requirements compared with the initial forecasts. This difference can be attributed to a rise in the value of government investments engendered by the higher profits of these enterprises, particularly Hydro-Québec, which is partly offset by a decline in investments in their capital stock.

The annual change in the retirement plans liability, estimated at $1 975 million in the Supplementary Statement, has been revised upward by $12 million, to $1 987 million. This change can be attributed to the $74-million rise in contributions by the government as employer, which is offset by the $62-million increase in benefits paid.

Transactions related to other non-budgetary accounts represent year-to-year changes in these financial items. These accounts, which include, in particular, cash and bills on hand, outstanding cheques, accounts receivable and accounts payable, can fluctuate a great deal because of the variability of government cash inflow and disbursements. For 2002-2003, the balance of the other accounts shows a decrease of $383 million compared with the figure announced in the Supplementary Statement of March 19, 2002.

Financing

Preliminary results show that the change in direct debt should amount to $5 628 million, $4 035 million more than anticipated in the Supplementary Statement of March 19, 2002. Borrowings in fiscal 2002-2003 will amount to $10 453 million ($8 614 million for the Consolidated Revenue Fund and $1 839 million for consolidated organizations), $4 705 million more than forecast. It should be noted that the Consolidated Revenue Fund obtained pre-financing of $4 053 million.

TABLE 2.7

SUMMARY OF CONSOLIDATED FINANCING TRANSACTIONS
(in millions of dollars)

			2002-2003
	Supplementary Statement 2002-03-19	Preliminary results	Change
Change in cash position			
Consolidated Revenue Fund	1 178	– 2 899	– 4 077
Consolidated organizations	866	856	– 10
Total change in cash position	**2 044**	**– 2 043**	**– 4 087**
Change in direct debt			
Consolidated Revenue Fund			
New borrowings	3 998	8 614	4 616
Repayment of borrowings	– 2 911	– 3 757	– 846
	1 087	4 857	3 770
Consolidated organizations			
New borrowings	1 750	1 839	89
Repayment of borrowings	– 1 244	– 1 068	176
	506	771	265
Total change in direct debt	**1 593**	**5 628**	**4 035**
Retirement plans sinking fund	**– 2 765**	**– 1 658**	**1 107**
Total financing of transactions	**872**	**1 927**	**1 055**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

Financing of the Consolidated Revenue Fund

Preliminary results show that the change in the direct debt of the Consolidated Revenue Fund should amount to $4 857 million, an increase of $3 770 million compared with the figure announced in the Supplementary Statement of March 19, 2002. Borrowings in 2002-2003 will amount to $8 614 million, $4 616 million more than expected, mainly on account of pre-financing estimated at $4 053 million. This level of pre-financing will make it possible to cover financial requirements for the next fiscal year.

Owing to pre-financing, the cash level will rise by $2 899 million, although a $1 178-million decrease was forecast.

Financing of consolidated organizations

The change in the direct debt of consolidated organizations should amount to $771 million, $265 million more than anticipated.

Borrowings

In all, the government contracted borrowings of $10 616 million in 2002-2003, of which $8 614 million was for Consolidated Revenue Fund needs and $2 002 million for the Financing Fund. The borrowings of the Financing Fund are used to meet the financial requirements of consolidated organizations ($1 839 million) and certain government enterprises ($163 million).

In all, 73% of the financing program, or $7 764 million, was conducted in Canadian dollars. In regard to the main financial instruments used, the government carried out six public bond issues on the Canadian domestic market for a total of $3 038 million, and real return issues for a total of $833 million. In addition, two public issues in Canadian dollars were made on the European market for $300 million, and private-contract financing worth $638 million was carried out with the Caisse de dépôt et placement du Québec. Lastly, savings products sold by Épargne Placements Québec should provide the government with $557 million in financing.

Borrowings totalling $2 852 million, or 27% of the financing program, were obtained in foreign currency as part of the government's financing sources diversification strategy. Two public bond issues and one private issue were made in foreign currency in 2002-2003. A global bond issue in US dollars for US$750 million (CAN$1 148 million) was carried out in July 2002. As well, a private issue for US$50 million (CAN$76 million) and a public bond issue for 1 billion euros (CAN$1 628 million) on the euro market were carried out in February 2003.

TABLE 2.8

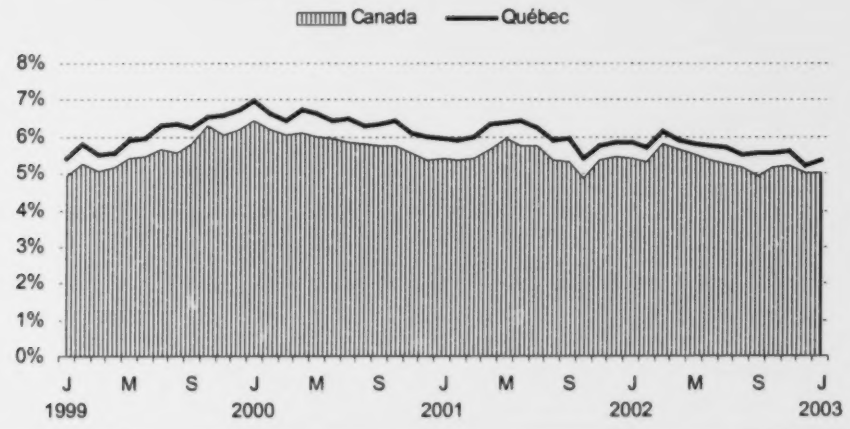
SUMMARY OF BORROWINGS IN 2002-2003
(in millions of dollars)

Currency	Consolidated Revenue Fund	Consolidated organizations	Government enterprises	Total	
					%
Canadian dollar					
Public issues					
Negotiable bonds	2 025	1 013	—	3 038	39.1
Real return bonds	833	—	—	833	10.7
Medium-term notes					
On the Canadian market	853	—	—	853	11.0
On the European market	200	100	—	300	3.8
Private issues					
Caisse de dépôt et placement du Québec	149	326	163	638	8.2
Canada Pension Plan Investment Fund	5	—	—	5	0.1
Savings products	557	—	—	557	7.2
Immigrant Investor Program	271	—	—	271	3.5
Change in Treasury bills outstanding	323	—	—	323	4.2
Change in debt resulting from currency swaps	946	—	—	946	12.2
Sub-total	**6 162**	**1 439**	**163**	**7 764**	**73.1**
US dollar					
Public issue					
Negotiable bonds	748[1]	400[1]	—	1 148	93.8
Private issue	76	—	—	76	6.2
Sub-total	**824**	**400**	**—**	**1 224**	**11.5**
Euro					
Public issue	1 628	—	—	1 628	100.0
Sub-total	**1 628**	—	—	**1 628**	**15.4**
Total	**8 614**	**1 839**	**163**	**10 616**	**100.0**

1 The original borrowing was for US$750 million (CAN$1 148 million). An amount of CAN$400 million derived from this borrowing was advanced to the Financing Fund in order to be loaned to consolidated organizations.

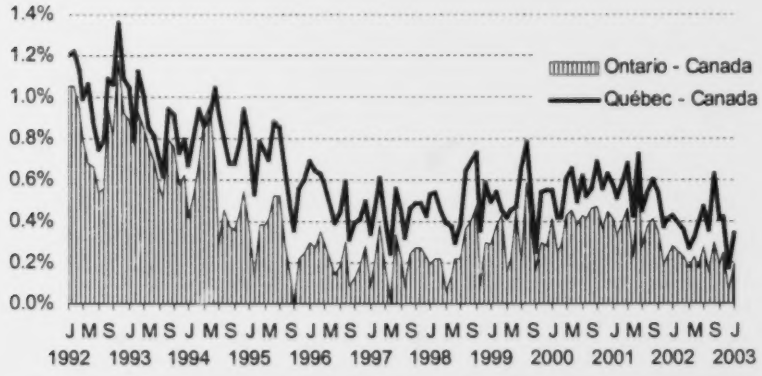
GRAPH 2.1

YIELD ON LONG-TERM (10-YEAR) SECURITIES



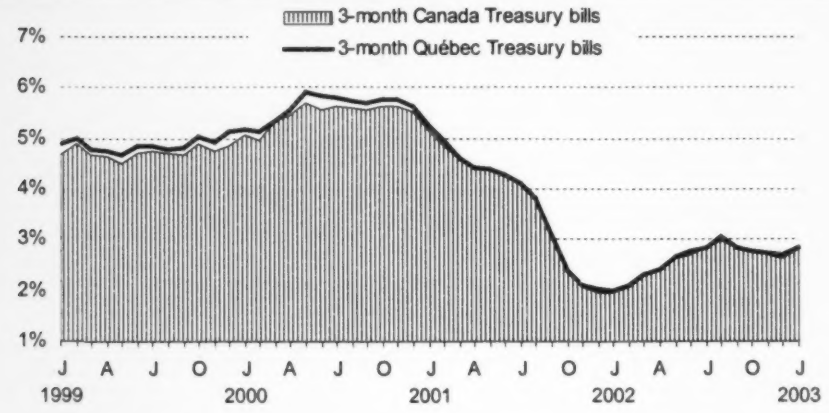
GRAPH 2.2

YIELD SPREAD ON LONG-TERM (10-YEAR) SECURITIES



GRAPH 2.3

YIELD ON SHORT-TERM SECURITIES



Repayment of borrowings

Preliminary results show that the repayment of borrowings of the Consolidated Revenue Fund and consolidated organizations for fiscal 2002-2003 amounts to $4 825 million, $670 million more than forecast in the Supplementary Statement of March 19, 2002.

Repayment of borrowings of the Consolidated Revenue Fund

The repayment of borrowings of the Consolidated Revenue Fund for fiscal 2002-2003 amounts to $3 757 million, $846 million more than anticipated. This increase is explained by, among other things, the additional revenue in the sinking fund for government borrowings, which is recorded as a repayment, and the exercise of a call option on bonds in yen.

Repayment of borrowings of consolidated organizations

The repayment of borrowings of consolidated organizations amounts to $1 068 million in 2002-2003, a decrease of $176 million compared with the figure anticipated.

Total government debt

The government's total debt consists of the consolidated direct debt and the net retirement plans liability. The consolidated direct debt is the sum of the direct debt of the Consolidated Revenue Fund and the debt of consolidated organizations. As for the net retirement plans liability, it consists of the retirement plans liability minus the balance of the retirement plans sinking fund (RPSF), an asset that may eventually be used to pay the retirement benefits of public and parapublic sector employees.

The government's consolidated direct debt should amount to $74 390 million as at March 31, 2003, or $68 932 million as direct debt of the Consolidated Revenue Fund and $5 458 million as debt of the consolidated organizations.

It should be noted that an amount of $4 053 million included in the consolidated direct debt represents pre-financing in 2002-2003 that will be used to cover part of the borrowings to be made in 2003-2004.

The net retirement plans liability should total $38 389 million as at March 31, 2003 and consists of $50 246 million as the retirement plans liability minus the value of the RPSF, or $11 857 million.

Excluding pre-financing, the government's total debt should thus be $108 726 million as at March 31, 2003.

TABLE 2.9

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2003
(in millions of dollars)

	Consolidated direct debt				
	Consolidated Revenue Fund	Consolidated organizations	Total	Net retirement plans liability	Total debt
Anticipated debt as at March 31, 2003	68 932	5 458	74 390	50 246	124 636
Retirement plans sinking fund	—	—	—	– 11 857	– 11 857
Sub-total	**68 932**	**5 458**	**74 390**	**38 389**	**112 779**
Pre-financing	– 4 053	—	– 4 053	—	– 4 053
Total	**64 879**	**5 458**	**70 337**	**38 389**	**108 726**

Note: The debt in foreign currency is expressed in the Canadian equivalent based on the exchange rates in effect on February 28, 2003.

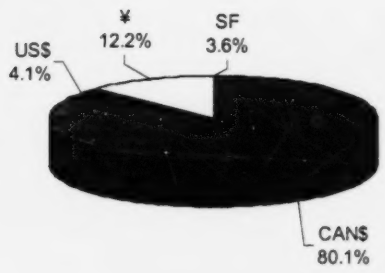
Structure of debt

As at March 31, 2003, the proportion of the direct debt of the Consolidated Revenue Fund in Canadian dollars should amount to 80.1% and the proportion in foreign currency, 19.9%. In addition, as at March 31, 2003, the share at fixed interest rates and the share at variable interest rates should be 67.6% and 32.4% respectively.

GRAPH 2.4

ANTICIPATED STRUCTURE OF THE DIRECT DEBT OF THE CONSOLIDATED REVENUE FUND AS AT MARCH 31, 2003[1]

BY CURRENCY



BY INTEREST RATE

1 As at March 31, 2003, the proportion of managed debt (direct debt of the Consolidated Revenue Fund and that incurred to make advances to the Financing Fund) in Canadian dollars should amount to 83.0% and the proportion at fixed rates, 71.1%.

Including the debt of consolidated organizations and the net retirement plans liability, the proportion of the total debt in Canadian dollars should amount to 87.7% and that in foreign currency,12.3% as at March 31, 2003.

TABLE 2.10

ANTICIPATED STRUCTURE OF THE TOTAL DEBT AS AT MARCH 31, 2003
(in millions of dollars)

	Consolidated direct debt							
Currency	**Consolidated Revenue Fund**	**%**	**Consolidated organizations**	**Total**	**%**	**Net retirement plans liability**	**Total debt**	**%**
Canadian dollar	55 219	80.1	5 343	60 562	81.4	38 389	98 951	87.7
US dollar	2 805	4.1	115	2 920	3.9	—	2 920	2.6
Yen	8 391	12.2	—	8 391	11.3	—	8 391	7.5
Swiss franc	2 517	3.6	—	2 517	3.4	—	2 517	2.2
Sub-total	**68 932**	**100.0**	**5 458**	**74 390**	**100.0**	**38 389**	**112 779**	**100.0**
Pre-financing	**– 4 053**		**—**	**– 4 053**		**—**	**– 4 053**	
Total	**64 879**		**5 458**	**70 337**		**38 389**	**108 726**	

Note: The debt in foreign currency is expressed in the Canadian equivalent based on the exchange rates in effect on February 28, 2003.

Public sector borrowings, investments and debt

Public sector borrowings and investments

The preliminary results for 2002-2003 show that gross long-term public sector borrowings should amount to $17 176 million.

Gross borrowings in Canadian dollars should total $12 989 million, or 75.6% of total borrowings by the public sector. Gross borrowings in US dollars should reach $2 109 million, or 12.3 % of the total, while those in other currencies should amount to $2 078 million, or 12.1% of public sector borrowings as a whole.

TABLE 2.11

NET LONG-TERM PUBLIC SECTOR BORROWINGS
(in millions of dollars)

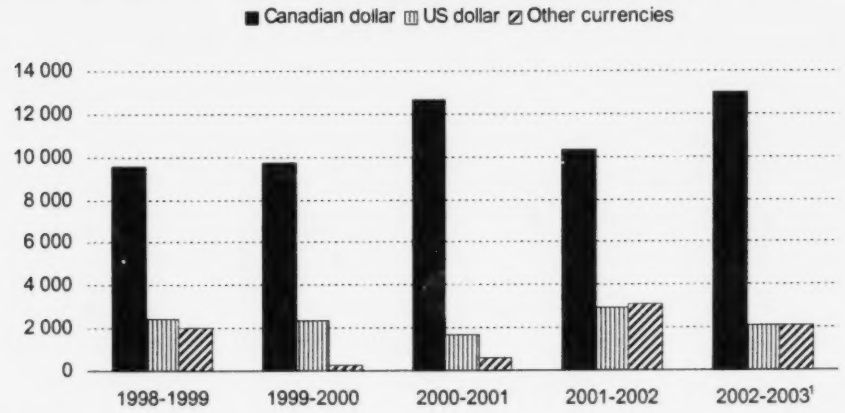
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003 [1]
Gross borrowings					
Government[2]	8 670	5 644	8 224	8 438	9 162
Educational institutions	341	1 366	1 540	1 179	2 043
Health and social services institutions	80	66	528	429	1 143
Hydro-Québec[3]	1 961	2 212	2 124	3 388	1 923
Other government enterprises	500	488	16	274	171
Municipalities and municipal bodies	2 409	2 594	2 488	2 595	2 734
Total gross borrowings	**13 961**	**12 370**	**14 920**	**16 303**	**17 176**
Repayment of borrowings	**11 362**	**12 473**	**13 103**	**12 956**	**10 934**
Sub-total	**2 599**	**– 103**	**1 817**	**3 347**	**6 242**
Pre-financing					
for the current year	– 2 831	– 506	– 1 475	– 1 154	– 4 053
for the previous year	—	2 831	506	1 475	1 154
Net long-term borrowings	**– 232**	**2 222**	**848**	**3 668**	**3 343**

1 Preliminary results.
2 Amounts borrowed to cover the requirements of the Consolidated Revenue Fund and consolidated organizations, excluding net amounts received under interest rate and currency swap agreements, which explains the difference between this list and the list of borrowings given later in this text. These amounts also exclude borrowings made to cover the requirements of certain government enterprises and Financement-Québec, which are distributed among the organizations and networks for which they are intended.
3 Amounts borrowed as at December 31 of each year.

When pre-financing is considered in relation to the years to which it applies, net long-term public sector borrowings are estimated at $3 343 million in 2002-2003, a decrease of $325 million compared with the previous year. Consequently, the ratio of net long-term borrowings to gross domestic product should fall from 1.60% of GDP in 2001-2002 to 1.39% in 2002-2003.

GRAPH 2.5

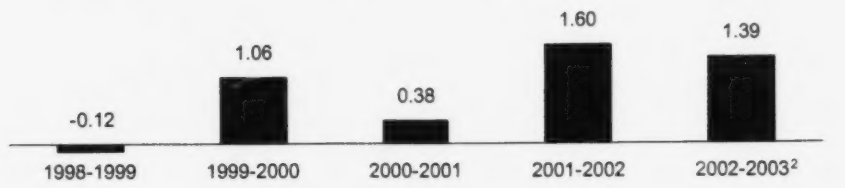
GROSS PUBLIC SECTOR BORROWINGS BY CURRENCY
(in millions of dollars)



1 Preliminary results.

GRAPH 2.6

NET LONG-TERM PUBLIC SECTOR BORROWINGS[1]
(as a percentage of GDP)



1 Adjusted by pre-financing.
2 Preliminary results.

In 2002-2003, public sector investments should amount to $8 969 million, $1 487 million more than the previous year. This increase can be attributed mainly to the implementation of the public sector investment acceleration plan announced in the 2002-2003 Budget and to investments under Hydro-Québec's development plan.

TABLE 2.12

PUBLIC SECTOR INVESTMENTS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003 [1]
Government[2]	1 037	1 085	1 448	1 614	2 052
Educational institutions[3]	639	702	691	710	800
Health and social services institutions[3]	628	615	699	706	841
Hydro-Québec[4]	1 986	1 457	1 632	1 660	1 976
Other government enterprises[5]	341	376	666	934	970
Municipalities and municipal bodies[6]	1 941	1 703	1 601	1 858	2 330
Total	**6 572**	**5 938**	**6 737**	**7 482**	**8 969**

1 Preliminary results.

2 Government investments include its capital expenditures as well as grants and loans for investments made available to economic agents outside the public sector. Financial investments in other components of the public sector are therefore excluded. Government investments include those of consolidated organizations.
Sources: Public accounts of the gouvernement du Québec, Secrétariat du Conseil du trésor and ministère des Finances, de l'Économie et de la Recherche.

3 Investments by school boards, colleges, universities and health and social services institutions include the share paid by the government and that paid by the institutions themselves. It should be noted that the share paid by the government is financed by subsidies for debt service.
Sources: Secrétariat du Conseil du trésor and ministère des Finances, de l'Économie et de la Recherche.

4 Investments by Hydro-Québec are shown on a calendar-year basis. They exclude financial investments and commercial programs.
Sources: Hydro-Québec et ministère des Finances, de l'Économie et de la Recherche.

5 Investments by government enterprises correspond to the increase in long-term assets. They exclude consolidated organizations and the Société québécoise d'assainissement des eaux, whose investments are included under "government " and "municipalities and municipal bodies" respectively.
Sources: Financial statements of the enterprises of the gouvernement du Québec and ministère des Finances, de l'Économie et de la Recherche.

6 Investments by municipalities and municipal bodies include those related to water purification, public transportation and cultural and community facilities, as well as other municipal investments.
Sources: Secrétariat du Conseil du trésor, ministère des Affaires municipales et de la Métropole and ministère des Finances, de l'Économie et de la Recherche.

The following table presents a comparative analysis of borrowings and investments by the public sector as a whole. Total net public sector borrowings include the change in the government's net retirement plans liability. Total net public sector borrowings are lower than public sector investments. In 2002-2003, the ratio of net borrowings to investments should be 0.41.

TABLE 2.13

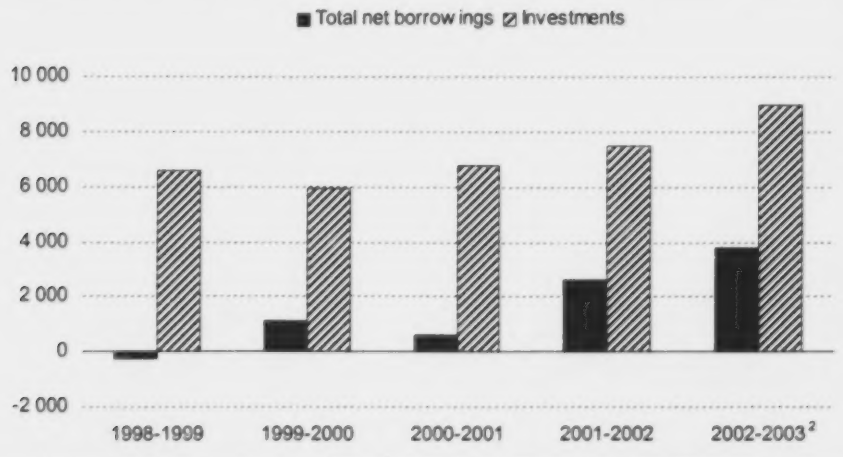
TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003 [1]
Net long-term borrowings	– 232	2 222	848	3 668	3 343
Change in the government's net retirement plans liability[2]	– 10	– 1 091	– 226	– 1 051	329
Total net borrowings	**– 242**	**1 131**	**622**	**2 617**	**3 672**
Investments	**6 572**	**5 938**	**6 737**	**7 482**	**8 969**
Ratio	**– 0.04**	**0.19**	**0.09**	**0.35**	**0.41**

1 Preliminary results.
2 This amount takes into account deposits made in the retirement plans sinking fund and the income of this fund.

GRAPH 2.7

TOTAL NET BORROWINGS[1] AND INVESTMENTS BY THE PUBLIC SECTOR
(in millions of dollars)



1 Adjusted by pre-financing.
2 Preliminary results.

Long-term public sector debt

The following table presents the change in long-term public sector debt, which includes the government's total debt as well as the debts of the networks, Hydro-Québec, the municipalities and other government enterprises. In many cases, this debt has served to finance public infrastructures, such as roads, schools, hospitals, hydroelectric dams and water purification plants.

As at March 31, 2003, the public sector debt should amount to $177 327 million. Over the past five years, the ratio of public sector debt as a percentage of gross domestic product fell considerably, from 85.4% to 73.8%.

TABLE 2.14

LONG-TERM PUBLIC SECTOR DEBT[1]
(in millions of dollars)

	As at March 31				
	1999	**2000**	**2001**	**2002**	**2003** [F]
Total government debt[2]	99 572	100 546	102 741	105 172	108 726
Health and social services and education networks	7 582	7 645	8 787	9 588	10 971
Hydro-Québec	38 414	38 135	38 979	37 893	37 077
Other government enterprises	4 772	4 445	4 345	3 906	3 845
Municipalities and municipal bodies[3]	17 236	17 211	16 699	16 777	16 708
Total	**167 576**	**167 982**	**171 551**	**173 336**	**177 327**

F: Forecast.

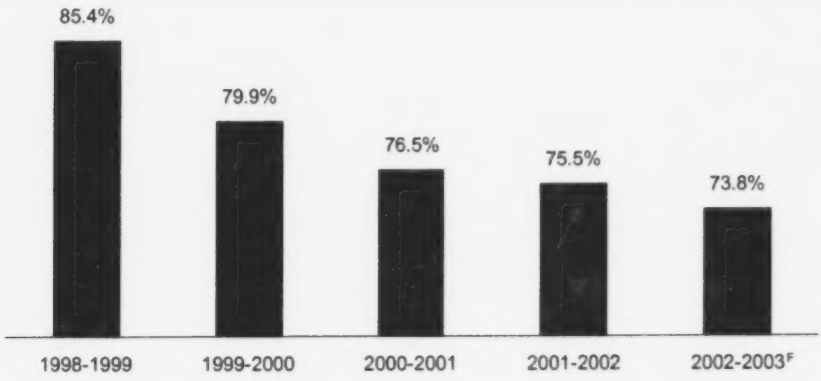
1 Including Treasury bills outstanding of the Consolidated Revenue Fund and the Financing Fund. As at March 31, 2003, Treasury bills outstanding are expected to amount to $2 109 million for the Consolidated Revenue Fund and $1 196 million for the Financing Fund. The Treasury bills of the Financing Fund are used to meet the long-term financial requirements of consolidated organizations, the Société québécoise d'assainissement des eaux and certain government enterprises.

2 Consolidated direct debt and net retirement plans liability, excluding pre-financing totalling $2 831 million in 1998-1999, $506 million in 1999-2000, $1 475 million in 2000-2001 and $1 154 million in 2001-2002 and that will total $4 053 million in 2002-2003.

3 Including the long-term debt of the Société québécoise d'assainissement des eaux.

GRAPH 2.8

LONG-TERM PUBLIC SECTOR DEBT
(as a percentage of GDP)



F: Forecast.

Historical data and preliminary results

TABLE 2.15

GOUVERNEMENT DU QUÉBEC
SUMMARY OF FINANCIAL TRANSACTIONS
(in millions of dollars)

	1999-2000	2000-2001	2001-2002	2002-2003 [1]
Budgetary transactions				
Own-source revenue	41 076	42 904	41 004	43 712
Federal transfers	6 334	8 145	9 305	9 108
Total revenue	47 410	51 049	50 309	52 820
Operating expenditure	- 40 031	- 42 066	- 43 976	- 45 540
Debt service	- 7 372	- 7 606	- 7 261	- 7 280
Total expenditure	- 47 403	- 49 672	- 51 237	- 52 820
Budgetary reserve				
Funds allocated to reserve	—	- 950	—	—
Use of funds allocated to reserve to finance spending and maintain a balanced budget	—	—	950	—
Budgetary surplus after reserve	**7**	**427**	**22**	**0**
Non-budgetary transactions				
Investments, loans and advances	- 2 006	- 1 632	- 1 142	- 1 966
Capital expenditures	- 359	- 473	- 995	- 1 642
Retirement plans	1 740	1 793	2 089	1 987
Other accounts	1 328	- 631	- 589	- 306
Non-budgetary surplus (requirements)	**703**	**- 943**	**- 637**	**- 1 927**
Net financial surplus (requirements)	**710**	**- 516**	**- 615**	**- 1 927**
Financing transactions				
Change in cash position	2 253	- 473	132	- 2 043
Change in direct debt [2]	- 132	3 008	3 623	5 628
Retirement plans sinking fund [3]	- 2 831	- 2 019	- 3 140	- 1 658
Total financing of transactions	**- 710**	**516**	**615**	**1 927**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease. For purposes of comparison, the data are presented on the basis of the 2003-2004 budgetary and financial structure.

1 The preliminary results for 2002-2003 are based on actual data recorded from April 2002 to January 2003 and on an estimate, as at February 28, 2003, of the February and March results for which transactions will be posted to 2002-2003 transactions up to the closing of the books.

2 The change in direct debt includes new borrowings less repayment of borrowings.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.16

GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE
(in millions of dollars)

	1999-2000	2000-2001	2001-2002	2002-2003
Own-source revenue				
Income and property taxes				
Personal income tax	16 074	17 116	15 923	16 207
Contributions to Health Services Fund	4 291	4 488	4 291	4 496
Corporate taxes[1]	3 643	4 217	4 029	3 681
	24 008	25 821	24 243	24 384
Consumption taxes				
Sales	6 761	7 374	7 557	8 547
Fuel	1 560	1 536	1 536	1 610
Tobacco	498	483	652	943
	8 819	9 393	9 745	11 100
Duties and permits				
Motor vehicles	667	646	662	677
Alcoholic beverages	139	146	140	160
Natural resources[2]	354	265	188	160
Other	182	180	177	172
	1 342	1 237	1 167	1 169
Miscellaneous				
Sales of goods and services	422	406	412	439
Interest	363	390	395	370
Fines, forfeitures and recoveries	345	310	371	361
	1 130	1 106	1 178	1 170
Revenue from government enterprises				
Société des alcools du Québec	442	471	489	540
Loto-Québec	1 289	1 358	1 352	1 354
Hydro-Québec	1 090	1 160	1 041	1 485
Other	1 106	507	- 151	438
	3 927	3 496	2 731	3 817
Consolidated organizations	1 850	1 851	1 940	2 072
Total own-source revenue	**41 076**	**42 904**	**41 004**	**43 712**
Federal transfers				
Programs				
Equalization	4 387	5 650	5 336	5 315
Canada Health and Social Transfer	1 120	1 597	2 958	2 727
Contributions to welfare programs	11	—	—	—
Other transfers related to fiscal arrangements	11	30	27	34
Other programs	535	618	564	644
Consolidated organizations	270	250	420	388
Total federal transfers	**6 334**	**8 145**	**9 305**	**9 108**
Total budgetary revenue	**47 410**	**51 049**	**50 309**	**52 820**

1 Including tax on corporate profits, tax on capital and tax on insurance company premiums, as well as tax on telecommunications, gas and electricity beginning in 2000-2001.
2 Including forest, mining and hydraulic resources.

TABLE 2.17

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
(in millions of dollars)

Departments and agencies	1999-2000	2000-2001	2001-2002	2002-2003
Operating expenditure				
Assemblée nationale	74	80	88	89
Personnes désignées par l'Assemblée nationale	41	42	50	60
Affaires municipales et Métropole	1 116	1 387	1 579	1 572
Agriculture, Pêcheries et Alimentation	514	714	651	643
Conseil du trésor, Administration et Fonction publique	372	434	465	472 [1]
Conseil exécutif	215	111	109	162
Culture et Communications	496	542	490	501
Éducation	9 825	10 130	10 548	11 028
Emploi, Solidarité sociale	4 064	4 095	4 067	4 108
Environnement	223	158	180	179
Famille, Enfance et Condition féminine	1 542	1 572	1 702	1 823
Faune et Parcs	79	148	122	120
Finances, Économie et Recherche (excluding debt service)	757	942	878	1 032 [1]
Justice	459	468	509	542
Régions	147	120	137	164
Relations avec les citoyens et Immigration	142	178	213	235
Relations internationales	98	104	111	107
Ressources naturelles	485	363	342	298
Revenu	721	715	613	745
Santé et Services sociaux	14 828	16 098	17 198	17 736
Sécurité publique	701	744	800	833
Tourisme, Loisir et Sport	173	152	160	158
Transports	1 578	1 507	1 412	1 432
Travail	81	79	88	65
Program spending	38 731	40 883	42 512	44 104
Consolidated organizations	1 300	1 183	1 464	1 436
Total operating expenditure	**40 031**	**42 066**	**43 976**	**45 540**
Debt service				
Consolidated Revenue Fund	6 751	6 972	6 687	6 633
Consolidated organizations	621	634	574	647
Total debt service	**7 372**	**7 606**	**7 261**	**7 280**
Total budgetary expenditure	**47 403**	**49 672**	**51 237**	**52 820**

1 The preliminary results for 2002-2003 contain provisions that allow appropriations to be transferred to other departments and agencies between the date the Budget documents are produced and the end of the fiscal year.

TABLE 2.18

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1999-2000	2000-2001	2001-2002	2002-2003
Investments, loans and advances				
Consolidated Revenue Fund				
GOVERNMENT ENTERPRISES				
SHARES AND INVESTMENTS:				
Société générale de financement du Québec	- 150	- 350	- 550	- 300
Société Innovatech du Grand Montréal	- 35	- 42	- 20	- 58
Société Innovatech Québec et Chaudière-Appalaches	- 9	- 11	- 29	- 30
Société Innovatech Sud du Québec	- 4	- 6	- 19	- 11
Société Innovatech Régions ressources	- 8	- 13	- 12	- 11
Other	- 1	- 3	- 18	- 28
	- 207	- 425	- 648	- 438
CHANGE IN THE EQUITY VALUE OF INVESTMENTS	- 1 782	- 1 157	- 371	- 1 213
LOANS AND ADVANCES:				
Société générale de financement du Québec	14	—	—	—
Other	10	—	—	- 2
	24	—	—	- 2
Total government enterprises	- 1 965	- 1 582	- 1 019	- 1 653
INDIVIDUALS, CORPORATIONS AND OTHERS	- 53	- 20	- 173	- 209
MUNICIPALITIES AND MUNICIPAL BODIES	6	1	4	2
	- 2 012	- 1 601	- 1 188	- 1 860
Consolidated organizations	6	- 31	46	- 106
Total investments, loans and advances	**- 2 006**	**- 1 632**	**- 1 142**	**- 1 966**
Capital expenditures				
Consolidated Revenue Fund				
Net investments	- 85	- 144	- 135	- 255
Amortization	354	334	193	202
	269	190	58	-53
Consolidated organizations	- 628	- 663	- 1 053	- 1 589
Total capital expenditures	**- 359**	**- 473**	**- 995**	**- 1 642**

TABLE 2.18 (CONT.)

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1999-2000	2000-2001	2001-2002	2002-2003
Retirement plans				
CONTRIBUTIONS BY THE GOVERNMENT				
Contributions by the government as employer:				
RREGOP and PPMP:				
Cost of constituted benefits[1]	743	990	1 014	1 113
Amortization of actuarial gain (-) or loss	82	66	141	144
Cost of changes	44	—	—	—
Other plans:				
Cost of constituted benefits[1]	151	166	147	129
Amortization of actuarial gain (-) or loss	57	26	65	78
Cost of changes	—	—	28	—
Total government contribution	1 077	1 248	1 395	1 464
Contributions by independent employers	24	—	4	4
Participants' contributions	124	106	88	113
Total contributions	148	106	92	117
Benefits, repayments and administrative expenses	- 2 336	- 2 567	- 2 720	- 3 058
Interest on retirement plans liability charged to debt service[2]	2 851	3 006	3 322	3 464
Total retirement plans	**1 740**	**1 793**	**2 089**	**1 987**
Other accounts				
Consolidated Revenue Fund	1 021	- 490	- 652	3
Consolidated organizations	307	- 141	63	- 309
Total other accounts	**1 328**	**- 631**	**- 589**	**- 306**
Total non-budgetary transactions	**703**	**- 943**	**- 637**	**- 1 927**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

1 Cost of retirement benefits constituted during the fiscal year, calculated according to the accounting method that consists in distributing benefits in proportion to years of service.
2 Excluding revenue generated by the retirement plans sinking fund.

TABLE 2.19

GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS
(in millions of dollars)

	1999-2000	2000-2001	2001-2002	2002-2003
Change in cash position				
Consolidated Revenue Fund	2 325	- 969	323	-2 899
Consolidated organizations	- 72	496	- 191	856
Total change in cash position	**2 253**	**- 473**	**132**	**-2 043**
Change in direct debt				
Consolidated Revenue Fund				
New borrowings	5 189	7 569	7 700	8 614
Repayment of borrowings	- 5 509	- 4 616	- 4 890	- 3 757
	- 320	2 953	2 810	4 857
Consolidated organizations				
New borrowings	891	1 025	1 311	1 839
Repayment of borrowings	- 703	- 970	- 498	- 1 068
	188	55	813	771
Total change in direct debt	**- 132**	**3 008**	**3 623**	**5 628**
Retirement plans sinking fund[1]	**- 2 831**	**- 2 019**	**- 3 140**	**- 1 658**
Total financing of transactions	**- 710**	**516**	**615**	**1 927**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.20

BORROWINGS FOR THE CONSOLIDATED REVENUE FUND IN 2002-2003

Amount in Canadian dollars [1]	Face value in foreign currency	Interest rate [2]	Date of issue	Date of maturity	Price to investor	Yield to investor [3]
(in millions)		%			$	%
493	—	6.00	April 8	2012-10-01	98.685	6.172
484	—	6.25	May 21	2032-06-01	96.727	6.499
748	US$489 [4]	5.00	July 17	2009-07-17	99.417	5.100
104	—	6.00	November 15	2012-10-01	104.251	5.437
200 [5]	—	4.50 [6]	November 29	2007-11-29	99.740	4.559
526	—	6.00	January 13	2012-10-01	105.120	5.317
418	—	6.25	January 27	2032-06-01	103.647	5.984
76 [7]	US$50	Variable	February 7	2013-02-07	100.000	Variable
1 628	€1000	4.25 [6]	February 27	2013-02-27	99.322	4.335
833 [8]	—	Various	Various	Various	Various	Various
149 [9]	—	Various	Various	Various	Various	Various
853 [10]	—	Various	Various	Various	Various	Various
557 [11]	—	Various	Various	Various	Various	Various
5 [12]	—	Various	Various	Various	Various	Various
271 [13]	—	Various	Various	Various	Various	Various
323 [14]	—	Various	Various	Various	Various	Various
946 [15]	Various	Various	Various	Various	Various	Various
8 614						

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 The original borrowing totalled US$750 million, or CAN$1 148 million. An amount of CAN$400 million derived from this borrowing was advanced to the Financing Fund in order to be loaned to consolidated organizations.
5 Medium-term notes on the European market.
6 Interest payable annually.
7 Private borrowing.
8 Real return bonds. The principal and the interest rate of these bonds are adjusted according to the change in the Consumer Price Index in Canada.
9 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.
10 Medium-term notes on the Canadian market.
11 Savings products issued by Épargne Placements Québec.
12 Borrowings from the Canada Pension Plan Investment Fund.
13 Immigrant Investor Program.
14 Represents the net increase in Treasury bills outstanding during the fiscal year.
15 Amount received under interest rate and currency swap agreements.

Note: The Québec government has credit agreements with various banks and financial institutions for a total of US$3 500 million. None of these credit agreements is being drawn upon.

TABLE 2.21

BORROWINGS FOR THE FINANCING FUND IN 2002-2003

	Amount in Canadian dollars [1]	Face value in foreign currency	Interest rate [2]	Date of issue	Date of maturity	Price to investor	Yield to investor [3]
	(in millions)		%			$	%
A. Borrowings for consolidated organizations							
	496	—	6.00	April 26	2012-10-01	99.277	6.094
	50 [4]	—	6.00	May 3	2012-10-01	99.596	6.052
	55 [4]	—	6.00	May 10	2029-10-01	94.955	6.392
	22 [4]	—	6.00	June 12	2012-10-01	100.409	5.945
	400	US$ 261 [5]	5.00	July 17	2009-07-17	99.417	5.100
	53 [4]	—	6.25	September 6	2010-12-01	106.889	5.209
	52 [4]	—	6.00	September 6	2012-10-01	104.727	5.385
	75 [4]	—	Variable	October 15	2007-10-01	100.000	Variable
	19 [4]	—	6.50	October 15	2007-10-01	108.979	4.462
	417	—	6.00	November 15	2012-10-01	104.251	5.437
	100	—	6.25	January 27	2032-06-01	103.647	5.984
	100 [6]	—	4.50 [7]	February 6	2007-11-29	100.216	4.446
Sub-total	**1 839**						
B. Borrowings for certain government enterprises							
	101 [4]	—	6.25	June 19	2032-06-01	100.564	6.208
	62 [4]	—	6.00	September 19	2029-10-01	100.612	5.954
Sub-total	**163**						
Total	**2 002**						

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.
5 Amount derived from the borrowing of US$750 million (CAN$1 148 million) contracted by the Consolidated Revenue Fund.
6 Medium-term notes on the European market.
7 Interest payable annually.

TABLE 2.22

BORROWINGS BY FINANCEMENT-QUÉBEC IN 2002-2003

Amount in Canadian dollars [1]	Face value in foreign currency	Interest rate[2]	Date of issue	Date of maturity	Price to investor	Yield to investor[3]
(in millions)		%			$	%
495	—	5.75	April 2	2008-12-01	99.114	5.911
450 [4]	€300	Variable[5]	July 3	2008-12-03	99.892	Variable
525	—	5.75	September 12	2008-12-01	104.950	4.816
778	US$500	5.00	October 25	2012-10-25	99.232	5.099
– 4 [6]	Various	Various	Various	Various	Various	Various
2 244						

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 Medium-term notes on the European market.
5 Interest payable quarterly.
6 Amount received (disbursed) under interest rate and currency swap agreements.

TABLE 2.23

BORROWINGS BY HYDRO-QUÉBEC IN 2002[1]

Amount in Canadian dollars [2]	Face value in foreign currency	Interest rate [3]	Date of issue	Date of maturity	Price to investor	Yield to investor [4]
(in millions)		%			$	%
1 861 [5]	—	Various	Various	Various	Various	Various
62 [6]	Various	Various	Various	Various	Various	Various
1 923						

1 Borrowings contracted as at December 31, 2002.
2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
3 Interest payable semi-annually except if another frequency is indicated in a note.
4 Yield to investor is determined on the basis of interest payable semi-annually.
5 Medium-term notes on the Canadian market.
6 Amount received under interest rate and currency swap agreements.

Note: Hydro-Québec has credit agreements with various banks and financial institutions for a total of US$1 500 million. None of the credit agreements was being drawn upon at December 31, 2002.

Section 3

The Government's Budgetary and Financial Stance

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Appendix

3.1 Additional information on the government's financial position 21

This section of the 2003-2004 Budget Plan indicates the Québec government's budgetary and financial stance. It presents revenue, expenditure, budget balance, and net financial requirements or surplus forecasts in light of the economic assumptions adopted and the fiscal and budgetary policies announced in the Budget Speech.

A balanced budget maintained

Despite the major fiscal imbalance between the federal government and the provinces, the Québec government's Budget Plan forecasts that a balanced budget will be achieved again in 2002-2003 and subsequent years, in accordance with the *Balanced Budget Act*.

TABLE 3.1

SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1, 2]
(in millions of dollars)

	2000-2001	2001-2002	2002-2003[P]	2003-2004[P]	2004-2005[P]
Budgetary transactions					
Own-source revenue	42 904	41 004	43 712	46 084	47 949
Federal transfers	8 145	9 305	9 108	10 566	8 538
Total revenue	**51 049**	**50 309**	**52 820**	**56 650**	**56 487**
Operating expenditure	– 42 066	– 43 976	– 45 540	– 48 160	– 48 748
Debt service	– 7 606	– 7 261	– 7 280	– 7 681	– 8 242
Total expenditure	**– 49 672**	**– 51 237**	**– 52 820**	**– 55 841**	**– 56 990**
Budgetary reserve					
Funds allocated to reserve	– 950	—	—	– 809	—
Use of funds allocated to reserve					
❑ To finance spending and maintain a balanced budget	—	950	—	—	—
❑ To finance health care following the federal announcement of February 2003	—	—	—	—	503[3]
Budgetary surplus after reserve	**427**	**22**	**0**	**0**	**0**
Non-budgetary requirements	**– 943**	**– 637**	**– 1 927**	**– 1 074**	**– 1 422**
Net financial surplus (requirements)					
❑ Consolidated Revenue Fund	35	7	– 300	500	—
❑ Consolidated organizations	– 551	– 622	– 1 627	– 1 574	– 1 422
Total	**– 516**	**– 615**	**– 1 927**	**– 1 074**	**– 1 422**

P: Preliminary results for 2002-2003 and forecasts for subsequent years.
1 A negative entry indicates a financial requirement and a positive entry, a source of financing.
2 Based on the budgetary and financial structure in effect in 2003-2004.
3 The balance of the reserve will amount to $306 million as at March 31, 2005 and will be used to finance health care expenditures in 2005-2006.

In addition to maintaining a balanced budget, the government will devote additional resources of nearly $1.7 billion to health and social services in 2003-2004, while posting a budgetary reserve of $809 million, to be used for funding health care over the coming years. A balanced budget will also be achieved in 2004-2005.

Total net financial requirements will be $1 927 million in 2002-2003, $1 074 million in 2003-2004 and $1 422 million in 2004-2005.

The net financial requirements of the Consolidated Revenue Fund for fiscal 2002-2003 will be $300 million. Net financial surpluses of $500 million are forecast for 2003-2004, while no net financial requirements are anticipated in 2004-2005.

As for the net financial requirements of consolidated organizations, they will amount to $1 627 million in 2002-2003, $1 574 million in 2003-2004 and $1 422 million in 2004-2005. These requirements result primarily from investments by the Fonds de conservation et d'amélioration du réseau routier (FCARR).

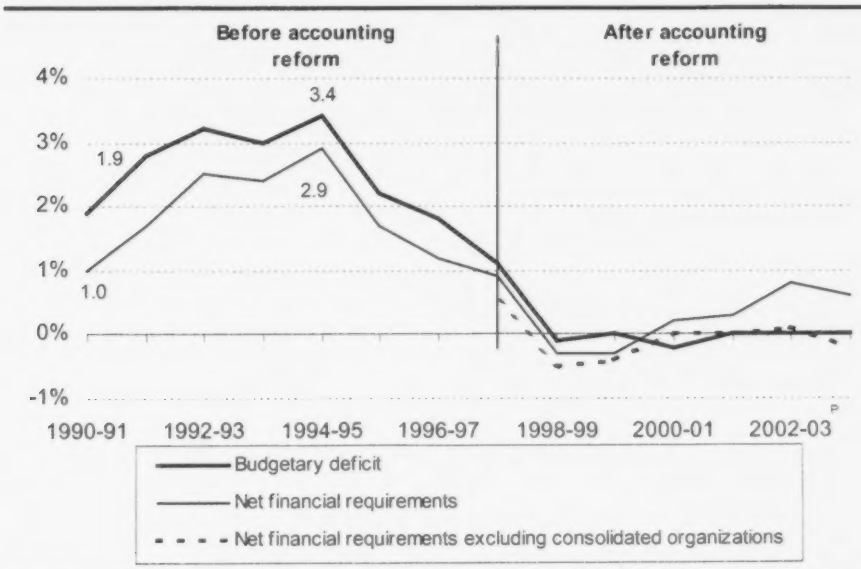
The government's financial position

The government's financial position has improved considerably in recent years. While the budgetary deficit accounted for 3.4% of gross domestic product in 1994-1995, it was eliminated in just four years, and surpluses have been recorded since 1998-1999. The government will achieve a balanced budget again in 2003-2004 and 2004-2005.

The increase in net financial requirements since 1999-2000 stems essentially from consolidated organizations, particularly because of investments by the Fonds de conservation et d'amélioration du réseau routier (FCARR) in Québec's road system.

GRAPH 3.1

BUDGETARY DEFICIT AND NET FINANCIAL REQUIREMENTS
(as a percentage of GDP)



P: Preliminary results for 2002-2003.

The indebtedness rate continues to decline

The debt representing accumulated deficits is the indicator used by the government to show the change in its financial position. This debt will remain stable at $84 315 million throughout the forecast period.

TABLE 3.2

CHANGE IN THE DEBT REPRESENTING ACCUMULATED DEFICITS
(in millions of dollars)

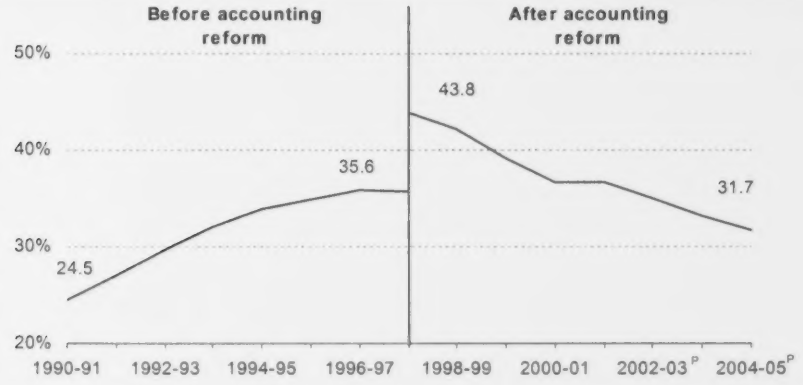
	2003-2004[F]	2004-2005[F]
Opening balance[1]	**84 315**	**84 315**
Budgetary surplus (deficit) before budgetary reserve	*809*	*– 503*
Funds allocated to the reserve to finance health care	– 809	—
Use of the reserve to finance health care following the federal announcement of February 2003	—	503
Budgetary surplus after reserve	**—**	**—**
Closing balance[1]	**84 315**	**84 315**

F: Forecasts for 2003-2004 and 2004-2005.
1 Including $215 million stemming from the correction of CCRA's error applicable to 2001-2002, posted to the debt representing accumulated deficits.

Since a balanced budget has been achieved for the past six years, the debt representing accumulated deficits will continue to decrease in relation to our wealth. It will reach 31.7% as at March 31, 2005, which corresponds to a drop of nearly 25% in the indebtedness rate in six years.

GRAPH 3.2

DEBT REPRESENTING ACCUMULATED DEFICITS
(as a percentage of GDP)



P: Preliminary results for 2002-2003 and forecasts for subsequent years.

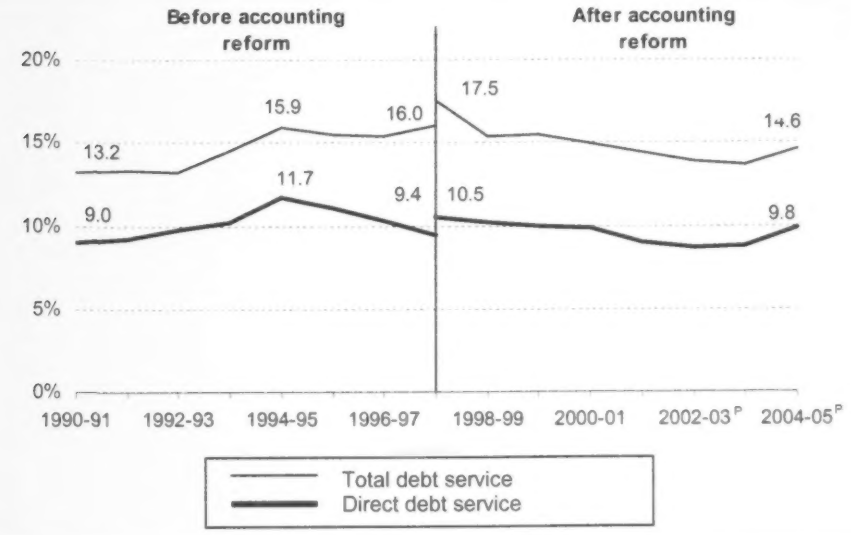
The government devotes an increasingly smaller share of its revenue to paying interest on the debt

The portion of budgetary revenue devoted to the direct debt service of the Consolidated Revenue Fund and consolidated organizations will amount to 9.8% in 2004-2005. In general, a downward trend has been observed since 1997-1998. The increase forecast in 2004-2005 can be explained by the anticipated rise in interest rates.

As for the portion of budgetary revenue allocated to total debt service, which also includes the interest on the net retirement plans liability, it was 17.5% in 1997-1998 and will reach 14.6% in 2004-2005.

GRAPH 3.3

DEBT SERVICE
(as a percentage of budgetary revenue)



P: Preliminary results for 2002-2003 and forecasts for subsequent years.

Government revenue

Budgetary revenue

The government's budgetary revenue should total $56 650 million in 2003-2004, i.e. $46 084 million in own-source revenue and $10 566 million in federal transfers. After growing by 5.0% in 2002-2003, budgetary revenue should increase by 7.3% in 2003-2004 and decrease by 0.3% in 2004-2005, on account of the substantial reduction in federal transfers.

TABLE 3.3

CHANGE IN BUDGETARY REVENUE
(in millions of dollars)

	2000-2001	2001-2002	2002-2003[P]	2003-2004[P]	2004-2005[P]
Own-source revenue	42 904	41 004	43 712	46 084	47 949
% change	4.5	– 4.4	6.6	5.4	4.0
Federal transfers	8 145	9 305	9 108	10 566	8 538
% change	28.6	14.2	– 2.1	16.0	– 19.2
Budgetary revenue	**51 049**	**50 309**	**52 820**	**56 650**	**56 487**
% change	7.7	– 1.4	5.0	7.3	-0.3
Nominal GDP growth rate in %	6.7	2.4	4.6	5.5	4.6
Inflation rate in Canada in %	2.7	2.5	2.2	2.7	1.7

P: Preliminary results for 2002-2003 and forecasts for subsequent years.

Own-source revenue

Own-source revenue should rise by 6.6% in 2002-2003 compared with the preceding year, the most substantial increases being recorded with regard to consumption taxes and revenue from government enterprises. In 2003-2004 and 2004-2005, own-source revenue should grow by 5.4% and 4.0% respectively, with each revenue source contributing to the increase.

TABLE 3.4

CHANGE IN OWN-SOURCE REVENUE BY SOURCE
(in millions of dollars)

	2002-2003[P]	2003-2004[P]	2004-2005[P]
Personal income tax	16 207	17 186	18 114
% change	1.8	6.0	5.4
Health Services Fund	4 496	4 706	4 917
% change	4.8	4.7	4.5
Corporate taxes	3 681	3 887	4 099
% change	– 8.6	5.6	5.4
Consumption taxes	11 100	11 614	11 960
% change	13.9	4.6	3.0
Other revenue	2 339	2 415	2 434
% change	– 0.3	3.2	0.8
Sub-total	**37 823**	**39 808**	**41 524**
% change	4.1	5.2	4.3
Government enterprises	3 817	4 110	4 181
% change	39.8	7.7	1.7
Consolidated organizations	2 072	2 166	2 244
% change	6.8	4.5	3.6
Own-source revenue	**43 712**	**46 084**	**47 949**
% change	6.6	5.4	4.0
Nominal GDP growth rate in %[1]	4.6	5.5	4.6

P: Preliminary results for 2002-2003 and forecasts for subsequent years.

1 For the calendar year ending three months before the end of the fiscal year.

With regard to the change in revenue by source:

— Personal income tax, the main source of government revenue, should increase by 1.8% in 2002-2003, to $16.2 billion. During this fiscal year, the growth will be lower than that of wages and salaries owing to the impact on revenue of the decline in capital gains reported in 2001 and the tax reductions announced in recent budgets, whose full effect will now be felt. In 2003-2004 and 2004-2005, the growth rate will reach 6.0% and 5.4% respectively, which, given the progressive nature of the taxation system, is compatible with the increase in income subject to tax.

— Health Services Fund contributions should amount to $4.5 billion in 2002-2003, an increase of 4.8%. The growth rate of this revenue should be 4.7% in 2003-2004 and 4.5% in 2004-2005, which is comparable to that of wages and salaries over a fiscal year.

— The 8.6% decrease in revenue expected from corporate taxes in 2002-2003 is due to the downturn in profits in 2001, which had a substantial impact on applications for refunds of instalment overpayments made in 2001-2002. In addition, many businesses availed themselves of the tax provisions that allow them to apply losses incurred in 2001 against profits made in previous years, which led to additional refunds in 2002-2003. In 2003-2004 and 2004-2005, revenue is expected to increase by 5.6% and 5.4% respectively, which is compatible with the growth in profits when the fiscal measures announced in this Budget and those of previous years are taken into account.

— Consumption tax revenue should rise by 13.9% in 2002-2003. This increase is due primarily to the fact that the growth of sales tax revenue, i.e. 13.1%, is higher than that of consumer spending, mainly because of the weak low input tax refunds requested by businesses. Contrary to what normally occurs, these refunds grew at a much lower rate than receipts did. This strong growth in consumption tax revenue in 2002-2003 is also due to the increase in the rate of the tax on tobacco products announced last June 17. The anticipated growth of 4.6% and 3.0% in 2003-2004 and 2004-2005 respectively is compatible with that of household consumption, considering the projected drop in revenue from the tobacco tax resulting from the decline in smoking.

— The fuel tax contributes little to the growth in consumption taxes, given the lower volume of fuel consumed because of the rise in fuel prices.

The government does not benefit from the increase in the price of fuel

Even though revenue from the Québec sales tax (QST) rises with increases in the price of oil, these gains are offset by losses incurred with respect to the fuel tax and pressures exerted on certain government expenditures.

For example, a US$5.00 hike in the price of a barrel of oil would initially raise QST revenue by $45 million per year.

However, the fuel price hike would lead to a drop in consumption and, therefore, a $35-million decline in revenue from the fuel tax and the QST. In all, the Québec government's revenue would rise by $10 million.

The increase in the price of fuel and fuel oil would also generate additional costs for operating the government's vehicle fleet and heating its buildings. The estimated impact on government expenditures would be $40 million per year.

Overall, therefore, the government would sustain a loss of $30 million on an annual basis.

IMPACT OF A US$5.00 INCREASE IN THE PRICE OF A BARREL OF OIL[1]
(in millions of dollars)

Revenue	
Direct impact on the sales tax	45
Impact of the reduction in volumes:	
- Specific tax	– 26
- Sales tax	– 9
Sub-total	**10**
Expenditure	**– 40**
Total	**– 30**

1 For example, a US$5.00 hike in the price of a barrel of oil would generate a nearly 5-cent-per-litre increase at the loading rack.

— The increase of close to 40% in revenue from government enterprises in 2002-2003 can be attributed for the most part to the $680-million impact of eliminating the government's investment in the CSST. Since the government complied with this agency's request for more autonomy, the results will not be included in the government's reporting entity. The growth in revenue from government enterprises also stems from the $444-million rise in Hydro-Québec's profits, resulting mainly from an increase in electricity sales and favourable interest rates. Revenue from government enterprises should climb by 7.7% in 2003-2004 and 1.7% in 2004-2005. The growth anticipated for 2003-2004 is explained by the improvement in the financial situation of government corporations as a whole.

Link between growth in own-source revenue and economic growth

Broadly speaking, growth in own-source revenue is expected to match nominal economic growth. Once the financial impact of fiscal measures has been taken into account, the growth rate for own-source revenue for fiscal 2003-2004 and 2004-2005 is comparable to the increase in gross domestic product.

TABLE 3.5

CHANGE IN OWN-SOURCE REVENUE ON A COMPARABLE BASIS
(in millions of dollars)

	2002-2003[P]	2003-2004[P]	2004-2005[P]
Own-source revenue excluding government enterprises and consolidated organizations	**37 823**	**39 808**	**41 524**
% change	4.1	5.2	4.3
Less:			
2003-2004 Budget measures:[1]			
• Fiscal measures	—	– 39	– 148
• Streamlining measures	—	—	148
Tobacco tax increase of June 2002	185	235	235
Measures announced in 2002-2003 Budget and Supplementary Statement	239	– 66	– 405
Measures announced in previous budgets			
• Personal income tax reductions	– 3 765	– 3 825	– 3 870
• Impact of other measures	– 933	– 942	– 965
Revenue before measures	**42 097**	**44 445**	**46 529**
% change		5.6	4.7
Gross domestic product in %		**5.5**	**4.6**
Elasticity[2]		**1.02**	**1.02**

P: Preliminary results for 2002-2003 and forecasts for subsequent years.
1 Source: 2003-2004 Budget Speech, Additional Information on the Budgetary Measures.
2 Elasticity between growth in revenue on a comparable basis and growth in gross domestic product. An elasticity of 1.00 means that a 1% increase in gross domestic product will result in a 1% increase in own-source revenue.

Federal transfers

After declining by 2.1% in 2002-2003, federal transfers will grow by 16.0% in 2003-2004. This growth is due entirely to the increase in funds received by Québec following the federal government's February 2003 announcement on health care. Without this announcement, federal transfers would have fallen by 2.1%.

Moreover, federal transfers would have declined even further in 2003-2004 had it not been for the anticipated impact of the 2001 census. The preliminary census data indicate that Québec's demographic weight will be adjusted upward as of 2001, which will increase revenue from equalization and the CHST.

In 2004-2005, federal transfers should decline by 19.2% compared with the figure anticipated in 2003-2004. This marked decline can be attributed mainly to the withdrawal schedule for the additional transfers announced by the federal government in February 2003.

TABLE 3.6

CHANGE IN FEDERAL TRANSFER REVENUE
(in millions of dollars)

	2002-2003[P]	2003-2004[P]	2004-2005[P]
Federal transfers before federal announcement of February 2003	8 720	8 524	7 769
% change	– 1.9	– 2.2	– 8.9
Consolidated organizations	388	395	417
Sub-total	**9 108**	**8 919**	**8 186**
% change	– 2.1	– 2.1	– 8.2
Federal announcement of February 2003	—	1 647[1]	352
Total	**9 108**	**10 566**	**8 538**
% change	– 2.1	16.0	– 19.2

P: Preliminary results for 2002-2003 and forecasts for subsequent years.
1 Including an amount of $472 million representing Québec's share of the additional transfers of $2 billion that might be paid if the federal surplus reaches $5 billion in 2003-2004.

Federal announcement of February 2003 on health care

During the First Minister's meeting in February 2003, the federal government announced a $10-billion increase in its transfers to the provinces over three years. Furthermore, an additional $2 billion will be paid to the provinces in 2003-2004 if the federal surplus reaches $5 billion, or $2 billion more than the federal Contingency Reserve of $3 billion.

Since 1997-1998, the federal government has continually posted a surplus that exceeds what it originally announced in its Budget Plan. In addition, for the sake of economic prudence, it has already provided for an additional reserve of $1 billion for 2003-2004. Therefore, Québec has decided to include its share of the $2 billion for 2003-2004, or $472 million, in its financial framework.

For Québec, the federal announcement represents an additional $2.8 billion for the next three years. On the one hand, $1.4 billion drawn from the Health Reform Fund will be received according to the terms and conditions of payment established by the federal government. On the other hand, funds granted for the CHST supplement and the Diagnostic/Medical Equipment Fund will be deposited in trust accounts by the federal government and may be withdrawn by the provinces according to their own schedule between 2003-2004 and 2005-2006. Québec has decided to withdraw in 2003-2004 all of the funds deposited in the trust accounts, bringing withdrawals for this year to $1.6 billion.

The $2.8 billion announced by the federal government in February 2003 will be devoted entirely to health care. Of the $1.6 billion that will be withdrawn in 2003-2004, $838 million will be allocated immediately to health care, while the rest, or $809 million, will be used to create a budgetary reserve for financing health care expenditures in subsequent years.

TABLE 3.7

IMPACT IN QUÉBEC OF THE FEDERAL ANNOUNCEMENT OF FEBRUARY 2003 ON HEALTH CARE
(in millions of dollars)

	2003-2004	2004-2005	2005-2006	Total
Health Reform Fund	**236**	**352**	**816**	**1 404**
Trusts				
CHST supplement	587	—	—	587
Diagnostic/Medical Equipment Fund	352	—	—	352
Sub-total	**939**	**—**	**—**	**939**
Total	**1 175**	**352**	**816**	**2 343**
Québec's share of the additional $2 billion to be granted if the federal surplus reaches $5 billion in 2003-2004	472	—	—	472
Total	**1 647**	**352**	**816**	**2 815**
Funds used for health care				
Operation	– 821	– 821	– 821	– 2 463
Diagnostic and medical equipment	– 17	– 34	– 301[1]	– 352
Total funds used for health care	**– 838[2]**	**– 855**	**– 1 122**	**– 2 815**
Budgetary reserve				
Funds allocated to reserve	– 809	—	—	– 809
Funds used from the reserve	—	503	306	809
Accumulated balance of budgetary reserve for financing health care	**809**	**306**	**—**	**—**

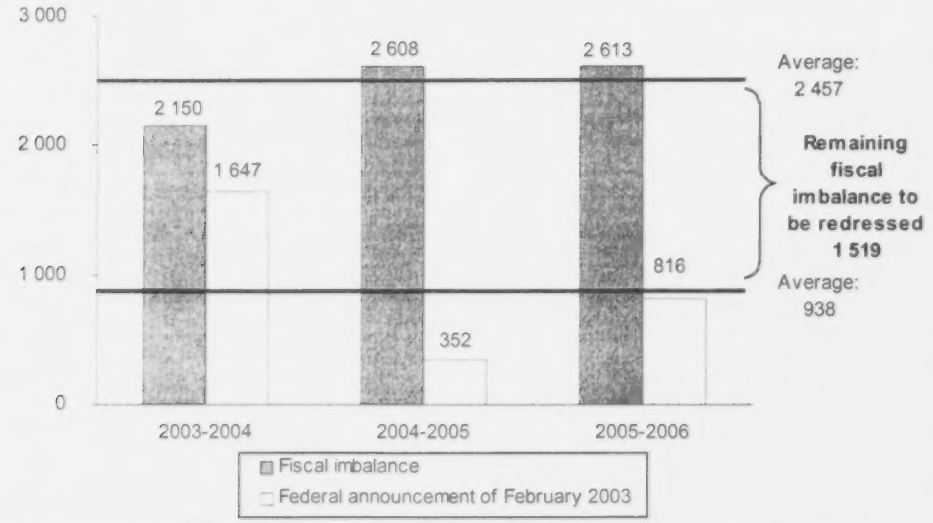
1 Including $250 million for subsequent years in regard to the undepreciated balance of diagnostic and medical equipment.
2 In 2003-2004, the health-sector budget will be increased to a total of $1 652 million.

Fiscal imbalance still considerable

The federal announcement of February 2003 represents, on average, an annual increase of $938 million in federal funding between now and 2005-2006. The announcement is thus substantially lower than the amount required to correct the current fiscal imbalance between the federal government and Québec. An additional increase of roughly $1.5 billion in federal transfers would have been needed on average per year to correct the short-term fiscal imbalance of $2.5 billion identified by the Séguin Commission.

GRAPH 3.4

COMPARISON BETWEEN THE SCOPE OF THE FISCAL IMBALANCE IN QUÉBEC AND THE FEDERAL ANNOUNCEMENT OF FEBRUARY 2003, 2003-2004 TO 2005-2006
(in millions of dollars)



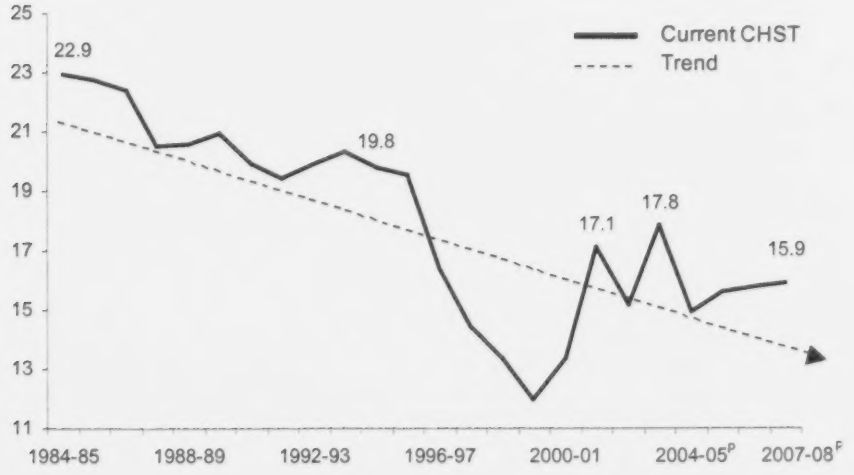
Sources: Conference Board of Canada, Fiscal Prospects for the Federal and Québec Governments; Finance Canada, The Budget Plan 2003.

The federal contribution continues on a downward trend

It should also be noted that despite the federal announcement of February 2003, the federal contribution to the funding of Québec's health, education and income security programs will pursue the downward trend observed since the mid-1980s. While federal funding was equal to 22.9% of Québec's spending for these programs in 1984-1985, it will account for barely 14.9% in 2004-2005.

GRAPH 3.5

FEDERAL CHST TRANSFERS TO QUÉBEC[1]
(as a percentage of Québec's social spending)



P: Preliminary results for 2002-2003 and forecasts for subsequent years.
1 Including the trust accounts and the Health Reform Fund.

Government expenditure

The government's budgetary expenditure should total $55 841 million in 2003-2004. Operating expenditure will amount to $48 160 million, while debt service will total $7 681 million.

Operating expenditure includes the program spending of government departments and the expenditures of consolidated organizations. It will rise by 5.8% in 2003-2004 mainly because of the increase in the budget of the ministère de la Santé et des Services sociaux. Excluding the increase provided for the health-sector budget following the federal government's announcement, growth in program spending will be limited to 3.7%, or considerably less than the anticipated growth of GDP, i.e. 5.5%. In addition, the new initiatives announced in the 2003-2004 Budget Speech, totalling $400 million in 2003-2004, will be financed entirely through a budgetary reallocation.

TABLE 3.8

CHANGE IN BUDGETARY EXPENDITURE[1]
(in millions of dollars)

	2000-2001	2001-2002	2002-2003[P]	2003-2004[P]	2004-2005[P]
Operating expenditure					
❑ Program spending excluding use of budgetary reserve	– 40 883	– 42 512	– 44 104	– 45 755	– 46 235
% change	5.5	4.0	3.7	3.7	1.0
Increase in health-sector budget following the federal announcement of February 2003	—	—	—	– 838	– 855
❑ Program spending	– 40 883	– 42 512	– 44 104	– 46 593	– 47 090
❑ Consolidated organizations	– 1 183	– 1 464	– 1 436	– 1 567	– 1 658
Total operating expenditure	**– 42 066**	**– 43 976**	**– 45 540**	**– 48 160**	**– 48 748**
% change	5.1	4.5	3.6	5.8	1.2
Debt service					
❑ Consolidated Revenue Fund	– 6 972	– 6 687	– 6 633	– 6 968	– 7 481
% change	3.3	– 4.1	– 0.8	5.1	7.4
❑ Consolidated organizations	– 634	– 574	– 647	– 713	– 761
Total debt service	**– 7 606**	**– 7 261**	**– 7 280**	**– 7 681**	**– 8 242**
% change	3.2	– 4.5	0.3	5.5	7.3
Budgetary expenditure	**– 49 672**	**– 51 237**	**– 52 820**	**– 55 841**	**– 57 990**
% change	4.8	3.2	3.1	5.7	2.1
Nominal GDP growth rate in %[2]	6.7	2.4	4.6	5.5	4.6
Inflation rate in Canada in %[2]	2.7	2.6	2.2	2.7	1.7

P: Preliminary results for 2002-2003 and forecasts for subsequent years.
1 Based on the budgetary and financial structure in effect in 2003-2004.
2 For the calendar year ending three months before the end of the fiscal year.

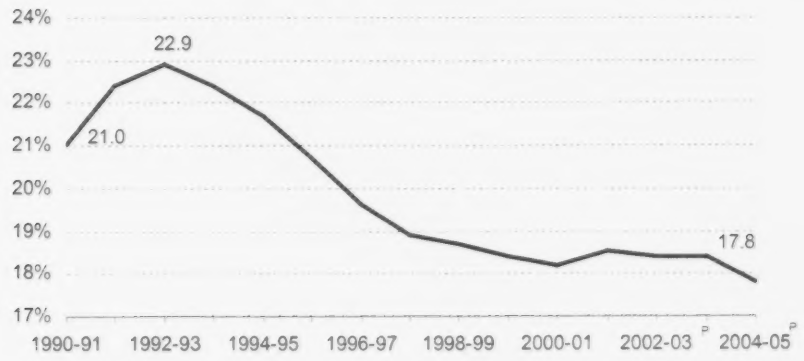
As for the anticipated growth of debt service as of 2003-2004, it can be explained mainly by the projected increase in interest rates.

Program spending should increase by only 1.0% in 2004-2005. If ever the fiscal imbalance problem is permanently resolved through an agreement with the federal government, the Québec government would have more leeway to make adequate provision for program spending.

The ratio of program spending to GDP should be 17.8% in 2004-2005. It has thus declined by a substantial 5.1% since peaking at 22.9% in 1992-1993.

GRAPH 3.6

PROGRAM SPENDING[1]
(as a percentage of GDP)



P: Preliminary results for 2002-2003 and forecasts for subsequent years.
1 Excluding supplementary expenditures of $1 377 million in 1998-1999 to implement the consolidation and financial restructuring plan for health and social services network institutions and to improve the financial situation of universities.

Section 3 Appendix 3.1

Additional information on the government's financial position

TABLE 3.1.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF FINANCIAL TRANSACTIONS[1]
(in millions of dollars)

	Budgetary transactions							
	Own-source revenue	Federal transfers	Budgetary revenue	Operating expenditure	Debt service	Budgetary expenditure	Budgetary reserve	Surplus (deficit) after reserve
Before reform of government accounting								
1970-1971	2 748	1 094	3 842	– 3 790	– 197	– 3 987		– 145
1971-1972	3 183	1 293	4 476	– 4 621	– 210	– 4 831		– 355
1972-1973	3 743	1 261	5 004	– 5 109	– 242	– 5 351		– 347
1973-1974	4 371	1 376	5 747	– 6 118	– 288	– 6 406		– 659
1974-1975	5 367	1 871	7 238	– 7 384	– 296	– 7 680		– 442
1975-1976	6 110	2 222	8 332	– 8 915	– 368	– 9 283		– 951
1976-1977	7 131	2 520	9 651	– 10 371	– 456	– 10 827		– 1 176
1977-1978	8 012	3 088	11 100	– 11 198	– 606	– 11 804		– 704
1978-1979	8 535	3 268	11 803	– 12 484	– 817	– 13 301		– 1 498
1979-1980	9 472	3 754	13 226	– 14 656	– 970	– 15 626		– 2 400
1980-1981	10 772	3 894	14 666	– 16 765	– 1 382	– 18 147		– 3 481
1981-1982	13 471	4 473	17 944	– 18 615	– 1 950	– 20 565		– 2 621
1982-1983	14 756	5 172	19 928	– 20 091	– 2 300	– 22 391		– 2 463
1983-1984	15 766	6 227	21 993	– 21 646	– 2 511	– 24 157		– 2 164
1984-1985	16 215	6 236	22 451	– 23 312	– 3 012	– 26 324		– 3 873
1985-1986	18 129	6 178	24 307	– 24 426	– 3 354	– 27 780		– 3 473
1986-1987	19 919	5 828	25 747	– 25 163	– 3 556	– 28 719		– 2 972
1987-1988	22 366	6 117	28 483	– 27 204	– 3 675	– 30 879		– 2 396
1988-1989	23 772	6 386	30 158	– 28 060	– 3 802	– 31 862		– 1 704
1989-1990	24 845	6 674	31 519	– 29 268	– 4 015	– 33 283		– 1 764
1990-1991	26 632	6 972	33 604	– 32 142	– 4 437	– 36 579		– 2 975
1991-1992	28 329	6 747	35 076	– 34 711	– 4 666	– 39 377		– 4 301
1992-1993	28 237	7 764	36 001	– 36 275	– 4 756	– 41 031		– 5 030
1993-1994	28 899	7 762	36 661	– 36 268	– 5 316	– 41 584		– 4 923
1994-1995	29 543	7 494	37 037	– 36 976	– 5 882	– 42 858		– 5 821
1995-1996	30 736	8 126	38 862	– 36 775	– 6 034	– 42 809		– 3 947
1996-1997	31 266	6 704	37 970	– 35 327	– 5 855	– 41 182		– 3 212
After reform of government accounting								
1997-1998	35 886	5 974	41 860	– 36 675	– 7 342	– 44 017		– 2 157
1998-1999	38 649	8 071	46 720	– 39 407	– 7 187	– 46 594		126
1999-2000	41 076	6 334	47 410	– 40 031	– 7 372	– 47 403		7
2000-2001	42 904	8 145	51 049	– 42 066	– 7 606	– 49 672	– 950	427
2001-2002	41 004	9 305	50 309	– 43 976	– 7 261	– 51 237	950	22
2002-2003[P]	43 712	9 108	52 820	– 45 540	– 7 280	– 52 820		0

P : Preliminary results.
1 A negative entry indicates a financial requirement and a positive entry, a source of financing.

Non-budgetary transactions					
Investments, loans and advances	Capital expenditures	Retirement plans	Other accounts	Excess amount (shortfall)	Net financial surplus (requirements)
– 73		2	26	– 45	– 190
– 63		1	113	51	– 304
– 53		– 1	18	– 36	– 383
– 122		25	459	362	– 297
– 146		104	319	277	– 165
– 186		109	622	545	– 406
– 183		187	– 161	– 157	– 1 333
– 229		265	– 488	– 452	– 1 156
– 189		316	119	246	– 1 252
– 188		683	551	1 046	– 1 354
– 56		822	416	1 182	– 2 299
– 586		1 007	71	492	– 2 129
– 761		1 051	– 40	250	– 2 213
– 672		1 057	– 436	– 51	– 2 215
– 167		1 183	887	1 903	– 1 970
40		1 269	493	1 802	– 1 671
– 380		1 355	260	1 235	– 1 737
– 680		2 203	– 493	1 030	– 1 366
– 670		1 634	– 265	699	– 1 005
– 516		1 164	300	948	– 816
– 458		1 874	77	1 493	– 1 482
– 411		1 916	141	1 646	– 2 655
– 490		1 525	82	1 117	– 3 913
– 623		1 668	52	1 097	– 3 826
– 1 142		1 509	578	945	– 4 876
– 287		1 701	– 415	999	– 2 948
– 792		1 928	– 60	1 076	– 2 136
– 1 315	– 209	1 888	109	473	– 1 684
– 1 402	– 217	1 020	996	397	523
– 2 006	– 359	1 740	1 328	703	710
– 1 632	– 473	1 793	– 631	– 943	– 516
– 1 142	– 995	2 089	– 589	– 637	– 615
– 1 966	– 1 642	1 987	– 306	– 1 927	– 1 927

TABLE 3.1.2

GOUVERNEMENT DU QUÉBEC
DEBT AT THE END OF THE FISCAL YEAR

	Total debt					
	Direct debt[1, 2]		Net retirement plans liability[3]		Total	
	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
Before reform of government accounting						
1970-1971	2 478	10.9			2 478	10.9
1971-1972	2 920	11.9			2 920	11.9
1972-1973	3 309	12.0			3 309	12.0
1973-1974	3 679	11.8			3 679	11.8
1974-1975	4 030	11.0	67	0.2	4 097	11.1
1975-1976	4 955	12.0	179	0.4	5 134	12.4
1976-1977	6 035	12.5	354	0.7	6 389	13.2
1977-1978	7 111	13.4	620	1.2	7 731	14.6
1978-1979	8 325	14.1	915	1.6	9 240	15.7
1979-1980	9 472	14.4	1 598	2.4	11 070	16.8
1980-1981	12 247	16.8	2 420	3.3	14 667	20.1
1981-1982	14 184	17.6	3 428	4.3	17 612	21.9
1982-1983	16 485	19.3	4 489	5.3	20 974	24.6
1983-1984	18 880	20.6	5 545	6.0	24 425	26.6
1984-1985	21 216	21.2	6 729	6.7	27 945	27.9
1985-1986	23 633	22.0	7 998	7.5	31 631	29.5
1986-1987	25 606	21.9	9 353	7.9	34 959	29.8
1987-1988	26 819	20.9	10 883	8.5	37 702	29.4
1988-1989	27 091	19.2	12 597	9.0	39 688	28.2
1989-1990	27 699	18.7	14 320	9.6	42 019	28.3
1990-1991	29 637	19.3	16 227	10.6	45 864	29.9
1991-1992	33 106	21.3	18 143	11.7	51 249	33.0
1992-1993	39 231	24.8	19 668	12.4	58 899	37.2
1993-1994	45 160	27.8	20 483	12.7	65 643	40.5
1994-1995	52 468	30.8	21 997	12.9	74 465	43.7
1995-1996	52 886	29.8	23 624	13.3	76 510	43.1
1996-1997	52 625	29.2	25 461	14.1	78 086	43.3
After reform of government accounting						
1997-1998	57 294	30.4	40 438	21.5	97 732	51.9
1998-1999	59 144[4]	30.1	40 428	20.6	99 572[4]	50.7
1999-2000	61 209[4]	29.1	39 337	18.7	100 546[4]	47.8
2000-2001	63 630[4]	28.4	39 111	17.4	102 741[4]	45.8
2001-2002	67 112[4]	29.2	38 060	16.6	105 172[4]	45.8
2002-2003[P]	70 337[4]	29.3	38 389	16.0	108 726[4]	45.3

P: Preliminary results.
1 Including Treasury bills and long-term debt. As of 1976-1977, the debt in foreign currency has been expressed in the Canadian equivalent based on the exchange rates effective on March 31 of the fiscal year under consideration.
2 Excluding deferred foreign exchange gains or losses.
3 Balance of the retirement plans liability less amount accumulated in the retirement plans sinking fund.
4 Excluding pre-financing that totalled $2 831 million in 1998-1999, $506 million in 1999-2000, $1 475 million in 2000-2001 and $1 154 million in 2001-2002 and that will total $4 053 million in 2002-2003. Including pre-financing, the total debt reached $102 403 million in 1998-1999, $101 052 million in 1999-2000, $104 216 million in 2000-2001 and $106 326 million in 2001-2002 and should reach $112 779 million in 2002-2003.

Financial assets and other liabilities[5]		Net debt		Debt representing			
				Capital expenditures		Accumulated deficits[6]	
In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
188	0.8	2 290	10.1			2 290	10.1
275	1.1	2 645	10.8			2 645	10.8
317	1.2	2 992	10.9			2 992	10.9
28	0.1	3 651	11.7			3 651	11.7
4	0.0	4 093	11.1			4 093	11.1
90	0.2	5 044	12.2			5 044	12.2
36	0.1	6 353	13.2			6 353	13.2
673	1.3	7 058	13.3			7 058	13.3
780	1.3	8 460	14.4			8 460	14.4
234	0.4	10 836	16.5			10 836	16.5
341	0.5	14 326	19.6			14 326	19.6
5 043	6.2	12 569	15.6			12 569	15.6
5 936	6.9	15 038	17.6			15 038	17.6
7 127	7.7	17 298	18.8			17 298	18.8
6 490	6.5	21 455	21.4			21 455	21.4
5 896	5.5	25 735	24.0			25 735	24.0
6 243	5.3	28 716	24.5			28 716	24.5
6 587	5.1	31 115	24.2			31 115	24.2
6 869	4.9	32 819	23.3			32 819	23.3
7 436	5.0	34 583	23.3			34 583	23.3
8 306	5.4	37 558	24.5			37 558	24.5
9 364	6.0	41 885	27.0			41 885	27.0
11 985	7.5	46 914	29.6			46 914	29.6
13 806	8.5	51 837	32.0			51 837	32.0
16 788	9.8	57 677	33.8			57 677	33.8
14 886	8.3	61 624	34.8			61 624	34.8
13 253	7.3	64 833	35.9			64 833	35.9
9 135	4.8	88 597	47.0	6 016	3.2	82 581	43.8
13 593[7]	6.9	88 810	45.3	6 233	3.2	82 577	42.1
11 890[7]	5.7	89 162	42.4	6 693	3.2	82 469	39.2
15 058[7, 8]	6.7	89 158	39.8	7 166	3.2	81 992[8]	36.6
14 065[7]	6.1	92 261	40.2	8 161	3.6	84 100	36.6
18 661[7]	8.0	94 118	39.2	9 803	4.1	84 315[9]	35.1

5 Including deferred foreign exchange gains or losses.

6 Including various accounting adjustments that have not undergone a surplus (deficit) adjustment for previous years.

7 Taking into account pre-financing that totalled $2 831 million in 1998-1999, $506 million in 1999-2000, $1 475 million in 2000-2001 and $1 154 million in 2001-2002 and that will total $4 053 million in 2002-2003.

8 Including $950 million placed in reserve.

9 Including $215 million stemming from the correction of CCRA's error, posted to the debt representing accumulated deficits.

TABLE 3.1.3

GOUVERNEMENT DU QUÉBEC
CONSOLIDATED DEBT SERVICE

	Consolidated direct debt service		Interest on the net retirement plans liability[1]		Total debt service	
	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue
Before reform of government accounting						
1970-1971	197	5.1			197	5.1
1971-1972	210	4.7			210	4.7
1972-1973	242	4.8			242	4.8
1973-1974	288	5.0			288	5.0
1974-1975	296	4.1			296	4.1
1975-1976	368	4.4			368	4.4
1976-1977	456	4.7			456	4.7
1977-1978	606	5.5			606	5.5
1978-1979	763	6.5	54	0.4	817	6.9
1979-1980	882	6.7	88	0.6	970	7.3
1980-1981	1 217	8.3	165	1.1	1 382	9.4
1981-1982	1 686	9.4	264	1.5	1 950	10.9
1982-1983	1 921	9.6	379	1.9	2 300	11.5
1983-1984	2 031	9.2	480	2.2	2 511	11.4
1984-1985	2 414	10.8	598	2.6	3 012	13.4
1985-1986	2 648	10.9	706	2.9	3 354	13.8
1986-1987	2 754	10.7	802	3.1	3 556	13.8
1987-1988	2 751	9.7	924	3.2	3 675	12.9
1988-1989	2 665	8.8	1 137	3.8	3 802	12.6
1989-1990	2 829	9.0	1 186	3.7	4 015	12.7
1990-1991	3 026	9.0	1 411	4.2	4 437	13.2
1991-1992	3 222	9.2	1 444	4.1	4 666	13.3
1992-1993	3 475	9.7	1 281	3.5	4 756	13.2
1993-1994	3 750	10.2	1 566	4.3	5 316	14.5
1994-1995	4 333	11.7	1 549	4.2	5 882	15.9
1995-1996	4 287	11.0	1 747	4.5	6 034	15.5
1996-1997	3 906	10.3	1 949	5.1	5 855	15.4
After reform of government accounting						
1997-1998	4 377	10.5	2 965	7.0	7 342	17.5
1998-1999	4 773	10.2	2 414	5.2	7 187	15.4
1999-2000	4 740	10.0	2 632	5.5	7 372	15.5
2000-2001	5 012	9.8	2 594	5.1	7 606	14.9
2001-2002	4 544	9.0	2 717	5.4	7 261	14.4
2002-2003[P]	4 574	8.7	2 706	5.1	7 280	13.8

P Preliminary results.
1 Amount of interest ascribed to the retirement plans liability less revenue from the retirement plans sinking fund.